The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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and BUSINESS ANALYST

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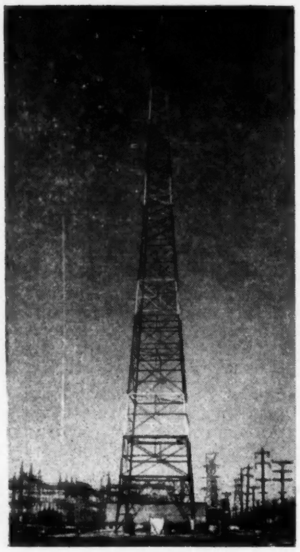

Private Microwave System—Bell System microwave equipment helps a midwest power company operate smoothly, act quickly.

Telemetering Channels—Electric power moves around interconnected system under guidance of dispatchers. Bell System telemetering supervisory control and voice channels permit the operators in this load dispatcher's office to supervise and control the inter-exchange of kilowatts at remote locations 24 hours a day.

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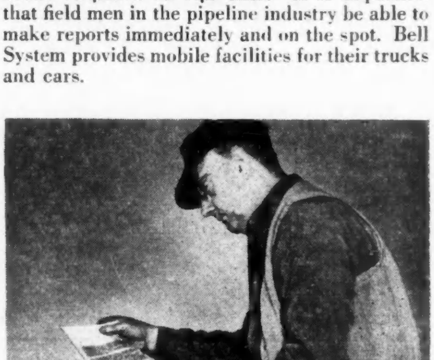
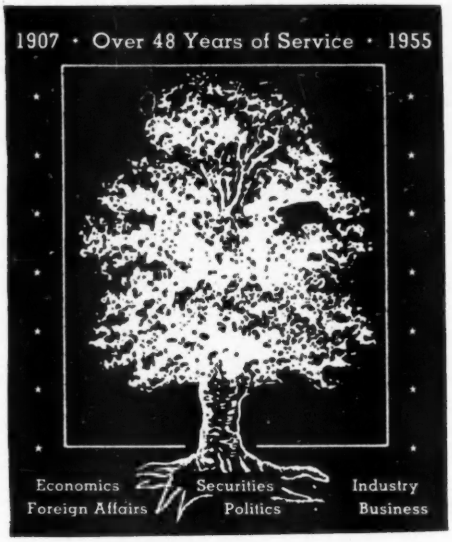


Teletypewriter Cuts Rail Schedules—An extensive Bell System teletypewriter system is enabling one eastern railroad to cut Chicago to New York freight schedules up to 24 hours. Advance information speeds up train departures.

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* — E. D. KING, *Managing Editor*



The Trend of Events

PERON FALLS . . . It is with a feeling of deep satisfaction that we have received the news of the fall of the Argentinian despot, Juan D. Peron. This was an especially obnoxious specimen of the species — arrogant, venal, yet absurdly ineffective as a leader. Only one element of the population supported him, the labor unions, which finally learned to their bitter cost that the favors they received at his hands melted away in the serious inflation which his policies generated. Undoubtedly, the interests of the United States will be served by the radical change in government following Peron's disappearance from the scene. Though initiated by a military junta, the new government of Argentina will be democratic and representative. As such, it can be counted on to restore the once friendly relations between the two nations. This is a real gain for us as well as Argentina.

TAX CUT COMING . . . When the House convenes again early in January, we venture to predict that one of the first, if not the first, topics on the agenda will be taxes. Despite protests from a number of more far-seeing Senators and Congressmen, election-conscious Democrats and Republicans alike will eagerly sponsor bills to cut personal income taxes. This will be so whether the budget can be balanced or not, for considerations of campaign policy in the national elections will be overriding; and this, of course, involves both parties, the necessity to endorse tax cuts in the heartiest manner possible in order to gather votes.

The question, in reality, is not whether taxes will be cut but rather how much and in what manner. Democrats with an eye to the most numerous body of voters, will propose an across-the-board cut or a rise in personal exemptions, either one of which, logically, would produce the greatest tax savings for the individual in the low-income brackets. Republicans will have to go along, if they expect to make a strong appeal to the mass vote but will put up a fight to get some relief for those in the upper-income brackets.

The probabilities are that a compromise will be effected but of the $2.5 billion tax cut in prospect most of it is likely to go, in one form or another, to the little fellow. Relief to the big tax-payer will be quite modest and real relief will have to wait for some other time. The politicians will see to that.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BIG BUSINESS IN GOVERNMENT—A sudden renewed outcry against the presence in important Washington positions of men from major corporate enterprises has been heard of late from the so-called liberal press. Much ingenuity is lavished on the proposition that the prosperity the nation currently enjoys is prosperity for the rich, with the poor neglected.

Because of corporate bookkeeping requirements, and because union contracts which raise the wages of a million men at a time are so widespread, it is possible to pinpoint dates and show corporate income in one quarter

gaining more than wages and salaries in that quarter. When a long enough period is taken for comparison, the fallacy of this appears. Corporate net between the last quarter of 1952 and the second quarter of 1955—all the Eisenhower Administration—rose 12 per cent. Private wages and salaries, in the same period, rose a little less than 11 per cent—a very close fit between the two.

Another charge has been that concentration of business is favored by the "Big Business atmosphere" of the capital city. A Labor Day speaker solemnly warned the country that 5 per cent of the nation's employers engaged 50 per cent of the workers. Actually, since 660,000 corporate income tax returns were filed in the United States last spring, 5 per cent of employers means roughly 30,000. Are we supposed to imagine a conspiracy against the Republic, with 30,000 plotters? That is almost too silly for words.

The plain truth of the matter is that the whole country is prospering, and that naturally corporate enterprise prospers with everyone else. We could hardly buy six million automobiles a year without the steel mills making some money.

This strenuous effort to persuade the country that men who have risen to head great enterprises have nothing to contribute to government is taking place just when the two great union organizations of the nation have been merged into one federation with fifteen million members. This may be a mere coincidence, this drive to tear down business as a political force while enlarging the political potential of labor leaders who don't care what happens to the country so long as they get more money at every contract reopening.

It will be a sad day for America if we ever come to feel that because a man has managed his own affairs well he is barred from helping manage those of the nation at large. The opposite is much more likely to be true: The business man in politics has made his mark in his industry or profession, and goes uncommited to try to serve us all.

THE WAGE SPIRAL . . . Wages are at an all-time high and going even higher this year since the automotive and steel industries granted substantial increases. The familiar reaction of business, which strives for lower selling prices, and of individuals, who must depend on fixed incomes rather than labor-union pressure, is: "When will it stop?". Certainly not next year, for on March 1, 1956, the national minimum wage law will require employers to pay workers at lease $1 an hour. The minimum now is 75 cents. Thus, thousands of companies, especially operators of textile mills and retail outlets, will have to grant hundreds of thousands of employes a 33⅓% pay rise.

All told, some 2 million workers will get automatic increases, for roughly 3% of the working force earns less than the newly-decreed minimum. Beyond these millions are others now earning $1 hourly or slightly more, largely semi-skilled personnel. Surely, there will be a clamor within their ranks for better compensation than is paid to unskilled hands and youngsters out of school.

Effects of the higher pay floor will be most pronounced, of course, in the South, where wage scales still are far below the national average. In South Carolina, as an example, the average production worker at midyear was drawing $1.30 an hour against a national average of $1.87. Nearly 40% of that state's 250,000 factory workers have been earning less than $1 hourly. In an economy where there are jobs aplenty, many employers have been offering more than the present 75-cent minimum to attract labor. Indeed, few have taken advantage of the special provisions that exist for paying sub-minimum rates to learners, apprentices and the handicapped.

But widening of the gap between existing rates for these categories of employes and the legal minimum means that more employers will be in a position to benefit from this leeway. Other employers will try to offset higher wage costs in various ways. In addition to layoffs and reductions in product quality, some are considering price increases and introduction of more labor-saving devices. For many companies, however, the pay boosts may be expected simply to result in lower profit margins.

MILITARY EXPENDITURES AND THE CIVILIAN ECONOMY . . . Although opinions vary widely as to the precise degree to which our economy is affected by national security spending, there is fairly general agreement that major shifts in the size of such spending has a direct influence on the composition of our total product. Thus, when defense expenditures rise substantially, the proportionate share of the national product taken by the civilian economy necessarily declines. When defense expenditures decline materially, the civilian economy takes a larger share of the national product. This, of course, is obvious but its implications are not too well understood.

In 1939, national security spending consumed only 1% of the total national product. To-day, even after the cutbacks of recent years, it consumes 10%. During the same period, personal consumption of goods and services, as a proportion of the total product, dropped from 74% to 65%, about equivalent to the rise in military expenditures.

The essential meaning of this set of figures is that the size of military expenditures sets the pace for the total economy and determines the direction of its various sectors. Thus, maintenance of defense expenditures on a high plateau has a direct effect in expanding capital goods construction. At the same time, the effect is to hold down the percentage of expenditures for personal consumption, measured as a percentage of the national product. If the amount of defense expenditures is suddenly and substantially raised, as during the Korean war, the effect is to further stimulate capital goods construction at the relative expense of civilian economy.

It may be seen, therefore, that contrary to views commonly held, the effect of military spending in the United States is not an overwhelming source of stimulation to the economy, as a whole, but rather to particular sectors of it. It is to be noted that recent cuts in defense spending have not injured the total economy but, in fact, have resulted in broadening the base of civilian consumption. The inference is that a genuine peace in which military expenditures could safely be cut further would be highly constructive so far as our general economy is concerned.

—END

As I See It!

By JOHN CORDELLI

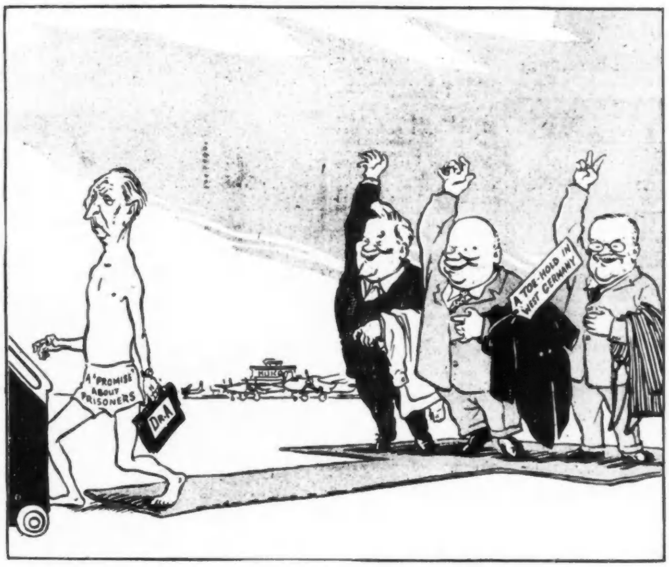
SECOND THOUGHTS ON GENEVA

There is a growingly uneasy feeling among Americans that the recent Geneva Conference held by four heads of State—Eisenhower, Bulganin, Faure and Eden—contrary to the statement issued by our Department of State that the outcome was a victory for the free world, actually was a pronounced victory for the Soviets. The first real test, of course, was the meeting between Adenauer and the Soviet leaders. In this he was clearly bested for he agreed, in effect, to the indefinite partitioning of Germany on Soviet terms. Significantly, no sooner had the German Chancellor emplaned for Bonn, when the East German stooges of the Kremlin were called to Moscow and presented with paper independence.

There are now, therefore, two official Germanys. No matter what face Adenauer tries to put on this defeat for his policies, he will not be able to disguise the fact that East Germany has been given equality with West Germany in any future negotiations, with the Four Powers. Furthermore, by securing West German recognition from Adenauer, Molotov has brilliantly prepared for the Four-Power Foreign Ministers' Conference to be held shortly in Geneva. He is now in a very strong position to deal with his opposite numbers.

Behind their smiles and friendly toasting at innumerable banquets, the Soviet leaders have stuck grimly to their long range plans for world domination and have not given one inch. While President Eisenhower met with a great personal success in his meeting with the Soviet chieftains, with a resultant gain to his prestige which, incidentally, he did not need, the Russian government, at one stroke, regained the aura of respectability and reliability which it had deservedly lost in the post-war Stalin era. One can be sure that this represented a great triumph for Molotov, who is now in a better position than ever to propagandize the virtues of "peaceful co-existence."

JUST ANOTHER OF THOSE RETREATS FROM MOSCOW



Cummings in the London Daily Express

We can now see how great is the triumph of Soviet diplomacy in the changing attitudes of the governments and peoples of Europe. Having completely lost their fear of the Kremlin, they are more and more eager "to do business" with the Soviets. This not only takes the form of seeking to reopen the avenues of trade between Moscow and the free world but accommodation with Russia on the diplomatic front. Inevitably, this will mean a weakening of NATO itself. For, since we ourselves are trimming our military budgets, our "allies" see no reason why they themselves should not follow suit. Indeed, one can hardly be surprised at this development.

On the whole, it must be acknowledged that the Western alliance has lost ground as compared with the Soviets, but, in its mistaken way, our State Department would have us believe otherwise. Perhaps it has deluded itself into thinking that the present conciliatory attitude of the Soviets is an adequate substitute for a definite guarantee of future peaceful action by this powerful foe. Such relaxation by our diplomats will not give the American people comfort, for they want real assurance that the policies of their government will be directed entirely by an astute and realistic, and not a superficial and sentimental, approach to the international facts of life.

—END

Thin Markets Produce Erratic Price Movements

Selective market advance went further over the last fortnight. The scope of the August-September move in the averages, combined with flattening-out indications in the business boom, could justify at least some corrective dip in no great time. With risk increasing, portfolio management requires conservatism and close discrimination.

By A. T. MILLER

In performance of individual stocks, the market remains highly mixed. However, the general trend, as measured by the daily Dow averages and other similar indicators, has continued upward, subject to no more than minor and mostly day-to-day dips since inception of the present phase in early August, following a 20-point July 27-August 9 sell-off by the industrial average, and a June 22-August 9 shakedown of 12 points in the rail average.

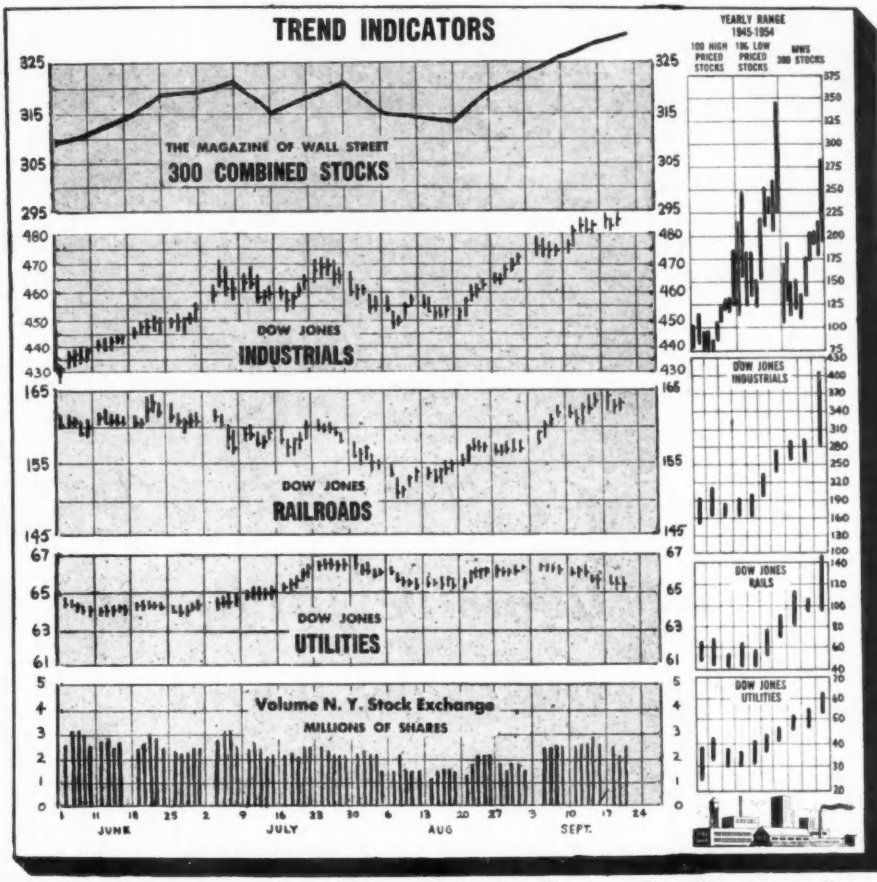
Despite profit-taking lulls at times within the last fortnight and the last week, the industrial average reached another new all-time high; and continued firm up to our press-closing time. Rails finally managed to get above their June top by a small margin, to that extent "confirming" the bull trend. Perhaps somewhat tired by the effort, their subsequent behavior up to this writing has been sluggish. The Dow utility average remains in a narrow range a little under its July bull-market high, and was under mlid pressure in recent days. It contains a sizable number of gas pipe line stocks. More representative indexes of electric utility stocks have now attained new bull-market, each by an edging-up margin, for four consecutive months, in the face of the handicap of firming money rates, but aided by uptrend earnings and dividends. Currently the group as a whole is only nominally under recent best levels reached around mid-September.

The Technical Position

Trading volume has remained moderate in daily totals, and low when measured as percentage turnover of aggregate listed shares. Speculative excess is not evident in the volume of buying-on-margin or in the relative performance of stocks of the "cat and dog" type. These remain semi-depressed, as compared with their behavior around peak market levels in 1928-1929 and in late 1945 and early 1946. The market is still largely reflecting selective investment and special-situation speculative demand, rather than indiscriminating speculative fever. In these qualitative respects, it is on a substantially stronger basis than it was around most past cyclical highs, especially those of 1929 and 1946, even though as a general rule, despite exceptions, stocks are rather amply priced on a yield basis; and overpriced in many instances. Even on the latter count, vulnerability probably is less than it might seem on superficial appraisal for two reasons.

In the first place, low yields on many premier growth stocks are a matter of indifference to some institutions and to wealthy individual investors, where the emphasis is put on genuinely long-term appreciation potentials. In the second place, the market remains considerably

under past extremes when measured by average price-earnings ratios, with investors reasoning that, earnings having run ahead of dividends, the latter should tend to catch up in due time. It could work out that way if the market rise flattens out, via pause or sizable corrections. Otherwise, over-valuation on a yield basis would continue, regardless of probable further rise in dividends; and could become even more untenable. Meanwhile, investment and business confidence shows no dilution as yet; and technical vulnerability to more than normal corrective phases is not apparent. By and large, investors are still more inclined to sit tight or buy — mostly to sit tight — than to sell sound stocks. While within moderate limits, trading volume tends to contract on dips, expand on strength.



It is worth noting that volatility in movement of individual stocks is now often more due to paucity of offerings on the selling side at a given time than to any capitalization factor. The resultant market thinness permits sharp spurts even in big-capitalization stocks. Among the many recent examples have been General Motors, Chrysler, Standard Oil (New Jersey) and Sears, Roebuck. On the other hand, good or satisfactory earnings are in many instances incapable of moving a stock, even where share capitalization is small or moderate, if it is not of institutional grade, is not widely known to the investing public and, thus, lacks "sponsorship". Overall supply of shares for sale is being increased by the largest volume of new-capital equity financing in some years, diluting medium-term earnings potentials to that extent. This will bear watching, since it has been a feature of late-stage bull markets in the past; but stocks direcly affected so far are a small minority of the list.

The last major bear market ended early in 1942. For more than 13 years investment experience has been far more pleasant than otherwise. Thus, in minor bear markets, the Dow industrial average fell roughly 23% in five months of 1946, 16% in 13 months of 1948-1949 and 13% in less than nine months of 1953. Against that: a more than four-year 1942-1946 bull-market rise of about 129%; a two and a half year 1949-1953 rise of 82%; and, to date, a two-year 1953-1955 advance of 90%. Investors and business men expect moderate fluctuation, but have largely lost fear of recurrence of serious depression and major bear markets. This confidence could become over-confidence, and may be verging on it now.

Measured by the Reserve Board's seasonally-adjusted index of production, the business boom is flattening out. In three months through August the further net rise in the index was only 2 points — which is to say that nearly 90% of its total rise to date from the 1954 low had been recorded by May of this year. The housing and automobile booms appear to have passed their crests. Allowing for this and the cumulative effects of official credit-restraint policy, the business picture for the next six months or so appears to be more static than dynamic, with at least a mild early-1956 dip possible.

Earnings and Market Values

If this view is correct, the market will have less bullish "ammunition" to feed on it the trend of business and of corporate earnings. Thus, further market rise would mean a higher and higher valuation of existing earnings. Second-quarter earnings on the Dow industrial average were at an annual rate of $38.36 a share. It figures to be lower for the third quarter and probably for the final quarter. Assuming $37 for the year, the present price-earnings ratio is 13.1. That is the highest ratio in some years, even if still under the peak 1929, 1937 and 1946 ratios of 19.1, 16.9 and 15.6, respectively. No one can guess the top of confidence and over-valuation, but upside potentials from here should be moderate, compared with the rise already seen, if serious excess is to be avoided. Our investment policy remains conservative and selective.

—Friday, September 23.

COST OF CREDIT- decisive factor in continuing business boom

By THOMAS L. GODEY

GIANT RISE in CONSUMER DEBT

Several factors are operating to create on the American economic scene a complex of pressures affecting a credit structure of more than usual delicacy. Some of these may appear incongruous yet a composite is being produced which will rule the economic health of the nation probably for some time.

Lurking beneath all other phenomena is an increasing fear of inflation. The Eisenhower Administration achieved a miracle of reversal of an inflationary trend which was mounting to dangerous proportions. The purchasing power of the dollar had been almost halved in a decade preceding the new Administration. Overnight, through tightening of credit and other measures, the declining usefulness of the dollar was checked. The Administration was bitterly attacked, critics (not wholly politically prompted) asserting that the people were being brought to ruin through denial of credit. It was forgotten that the effect was the reverse; the equities of the people were being saved, not ruined.

But then came a yearning back to policies strikingly reminiscent of the New Deal, with mounting appropriations for projects unmistakably bearing the New Deal or even the Welfare State brand. Credit regulations were relaxed and, save among a relatively small coterie, concern over the unbalanced budget and the swelling national debt dwindled away. Even in the Treasury itself there were some who held the tenet that growing population and wealth served to belittle the debt and that the American people were lapped in safety.

Then came a period of rapidly growing consumer credit at liberal rates, almost fantastic extension of automobile and house mortgage debt and a general air of holiday!

The result now is that the nation is soon entering an election year when Congress and, to no little extent, the entire Administration are taking their economic texts not from sober balance sheets but from campaign posters. Even some of the most level-headed legislators who know the evils of an unbalanced budget and the menace of any kind of inflation are unable to refrain from promises of reductions in Federal taxes. Moreover, it is a foregone conclusion that Congress will be unable to resist pressure from crowding groups each finding imperative reasons for higher and higher appropriations, often for purposes from which even the earlier New Dealers would have cringed.

Perhaps the most amazing phenomenon of the entire economic picture is the eagerness of the millions of workers in the ranks of organized labor to urge every step calculated to rob themselves and their dependents and even

their posterity. Never in all recorded history has a wage-price spiral failed to depress the purchasing power of money. Yet the last year has seen long strides toward a guaranteed annual wage in addition to very substantial increases in wage scales, enhanced pension and other benefits and all those forms of fastening upon the sum of wealth calculated to increase prices.

Blind to Inflation Effects

Indeed, a review of various wage settlements shows that in some cases only hours have elapsed between the granting of labor demands and announcement of increases of the price of the products affected. There seems to be an extraordinary blindness to the unquestionable fact that each one of these steps impoverishes the pension funds of labor and also the savings and fixed investments of everyone else.

Another factor in the situation which somewhat delayed repressive regulatory action on the part of the Federal Reserve System has been the European position. It will long be remembered that one of the major pressures which bludgeoned the value of the dollar so rapidly downward was the pegging arrangement between the Treasury and the Federal Reserve. The dissolution of that alliance paved the way for the reforms in fiscal and credit management which the Eisenhower Administration achieved to the salvation of the ebbing worth of the dollar.

More recently, however, the Federal Reserve trod cautiously in increasing the bank rate because it was feared that adverse repercussions would be felt abroad, especially in Great Britain. There were beliefs that Western Europe should be given every indirect as well as direct encouragement on its pathway back to recovery. Nothing was done that might have the slightest tendency to draw funds away from Britain and other Western European countries, especially as there were doubts as to what effects the end of Marshall Plan and other assistances would have.

The timing of these tremendous moves is a matter of such delicacy that there always is danger of error. There have been some opinions to the effect that Europe even now is suffering from too much encouragement and, therefore, is in the midst of inflationary perils itself. There have been especially anguished cries from Britain—but curious study of British economic history, especially modern economic history, suggests that such cries arise about as readily and regularly as the bongs from Big Ben's bell tower.

At any rate, the Federal Reserve now feels that there no longer is any necessity to keep the bank rate down on Western Europe's account and the rate for some weeks now has been employed as it

An Exclusive Statement for The Magazine of Wall Street:

Drop in Purchasing Power of Dollar a Warning to Nation

By SENATOR HARRY F. BYRD

(U. S. Senate Banking Committee)

Under the Constitution it is the Federal Government's responsibility to keep our money sound.

Debt is a hazardous factor which must be kept always under consideration in the fulfillment of this responsibility. Both public and private debt are at their all-time peaks. Public debt exceeds $315 billion and private debt is approximately $375 billion. This is a total of nearly $700 billion. In addition, there are contingent liabilities of the Federal Government totaling approximately $250 billion. This is a total of nearly a trillion dollars of debt, private, public, direct and contingent.

This tremendous debt is of real significance to our national solvency. The present direct federal debt alone is equivalent to the assessed value of all land, buildings, mines, machinery, livestock — everything of tangible value — in the United States. We are mortgaged to the hilt. Young men and women born in 1930 have lived under a government operating in the red virtually all of their lives. Perhaps all of us should stop more often to consider the difference between public and private debt. If private debt is not paid off it may be ended by liquidation. If public debt is not paid off with taxes, liquidation takes the form of disastrous inflation or national repudiation. Either would destroy our form of government.

Inflation generally has followed federal deficit financing. Beginning with 100-cent dollars in 1939 the purchasing power of the dollar dropped 5 cents in 1940 and 1941 when combined deficits totaled $8 billion. Despite wartime controls it dropped 17 cents under the pressure of war deficits. And under postwar deficits it has dropped another 26 cents. The value of the dollar is now about 52 cents as compared with 100 cents in 1939. While deficit financing is not the sole cause of inflation, it is perhaps the greatest single factor.

We may regard these figures lightly if we choose, but loss of nearly half the purchasing power of its money in fifteen years should be a serious warning to any nation.

originally was intended to be employed.

It should not be at all unsafe to predict that there will arise in this country an outcry against the increase in the Federal Reserve rate. Even before Congress convenes and most certainly immediately afterwards, the American people will be told that a cold-hearted Administration is putting the American people on the rack in the interests of Big Business and especially the banks through cruel application of the bank rate. Nor is it at all out of the question that there will be Money Trust investigations and legislative proposals all tending toward relaxation of all the safeguards now being applied to preserve the welfare of the nation.

Administration Steps to Curb Credit

Government agencies have moved smoothly to forestall dangers. Margins have been increased by Federal Reserve fiat on the stock exchanges of the country and will be further increased if it appears desirable. Down payments on dwellings have been increased and in all construction the acquisition of larger equities has been ordained to forestall too wide an overextension. Automobile manufacturers have more recently discouraged the fantastic offers of dealers and there has been a tendency to slow the pace of debt accumulation on the part of consumers generally.

It is interesting to watch the financial pages of metropolitan newspapers which, obviously, are written from the single day's point of view and not in vital comparison with other periods. For example, on a recent day New York papers asserted that the "money squeeze was the tightest since the Spring of 1953" and yet on the same day and page reported sustained activity on the Stock Exchange and increases in borrowing and lending and general movement bespeaking complete confidence, perhaps, overconfidence.

The strangest phenomenon of the money market and the credit position in relation to Government action is persistent forgetfulness of the basic fact that the active, present, currently operating conditions, in such a free market as now is being enjoyed, controls what is done in the way of regulation. Save in time of war and in certain emergencies, the Government moves to meet situations created by the tides of trade and commerce. No one sitting at Washington decides that some arbitrary steps shall be taken such as, for example, the raising or lowering of the bank rate. This is decided by the pressures in the field, in the market. The Treasury, the Federal Reserve or whatever the agency involved, merely reacts to what is taking place.

It is true that during the long period which embraced first the extraordinary measures to encourage recovery from the Great Depression, then the Second World War and then the Korean adventure, so many various controls were in effect for so long that it might be said an entire generation of businessmen grew up without knowing any other atmosphere. As those who had known freer air had forgotten it.

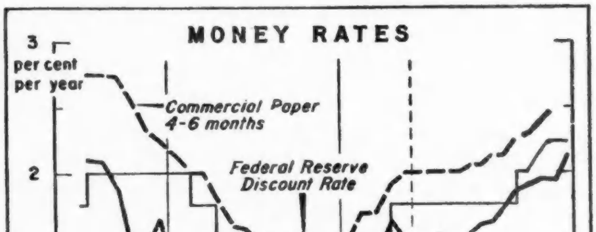
It may be that heavy times will again fall upon the nation and that some of the measures will have to be re-imposed but that is not the case today. It cannot be too strongly emphasized that the country now is operating in the freest economic situation it has known for a very long time. Washington is not peering around here and there to see what new trammels it can place on business, banking or any branch of business life or human activity. It merely is responsive to the pressures which arise. It is using the Federal Reserve and other machinery which has been provided. There is no eagerness at Washington to find new shackles, new measures of control.

Home Mortgage Situation

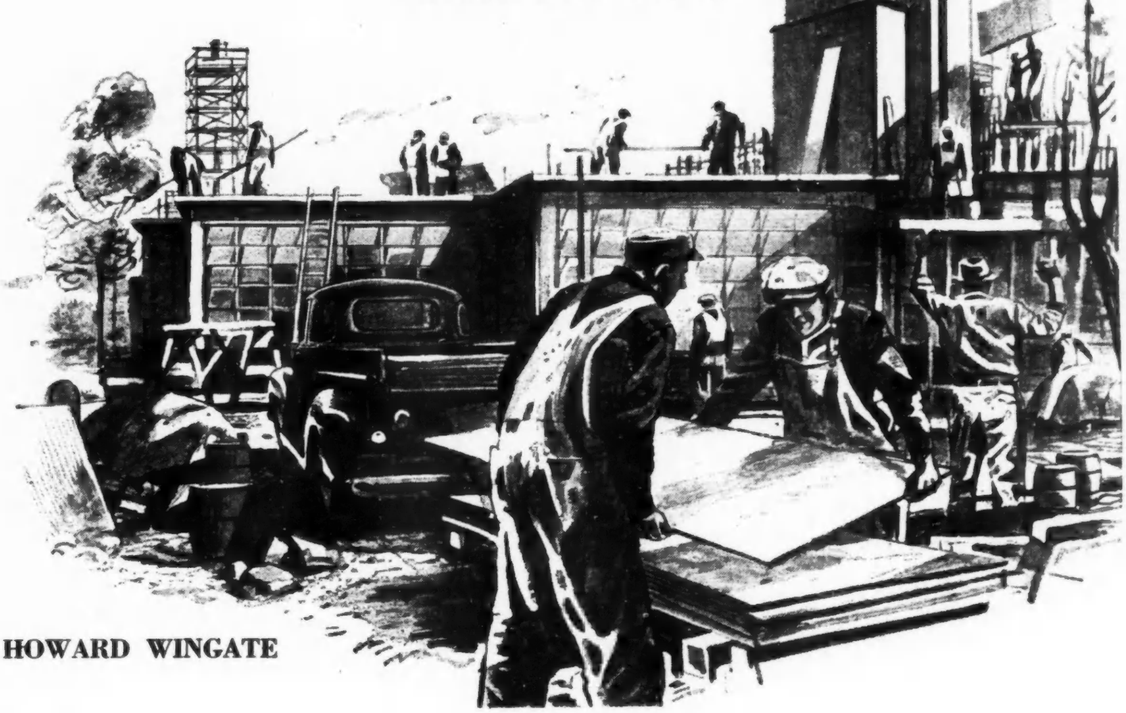
One of the spots in the credit position often regarded as a soft one relates to home mortgages. It is especially interesting to note how tides of sentiment move backward and forward on the American scene. But a brief while ago there was a great outcry that housing was falling far behind and that American families were in danger of going roofless. Now it is heard on every side that there has been tremendous over-building with too great a rise in the mortgage debt necessarily arising therefrom!

A fresh report of the Federal Housing Administration shows that reserve funds backing the FHA loan insurance programs increased by $64 million in the last fiscal year to $417.9 million. Perhaps more impressive is that the Federal National Mortgage Association reduced its indebtedness to the United States Treasury during the last year by $246 million bringing the debt down to $1.96 billion compared with $2.2 billion a year ago. This would seem to be a sound fiscal position from the viewpoint of housing constructed with some sort of Government assistance.

Most important of all in this connection is the circumstance that practically all the new housing is being constructed for and sold to young married persons starting families. The human security here is that the first impulse of the young American is to get and keep a roof over his young family's head. This is regarded as a first claim on earnings and the result has been that defaults are low. Some analysts studying statistics have shown some inclination to tap fingers over the figures on home mortgage debt. It is to be feared that these are regarded only as figures and not as very deeply human indications of the operation of the first impulse to maintain a rooftree. A good many categories of indebtedness (*Please turn to page* 50)



HOW RISING PRICES AFFECT CORPORATE PROFITS



By HOWARD WINGATE

There are many signs that a price spiral once more is in the making. Ever since the United States Steel Corp., this summer, succumbed to the wage demands of the United Steel Workers of America, C. I. O., and in turn raised its prices more than $7 a ton (to set a pattern for the industry), many other industries have followed suit, so that it may be said that a new price pattern is emerging. This is not only of greatest concern to people and Government alike, but contains the greatest significance to investors, who are all too aware that important price changes in the materials which are used in manufacture can have an immediate effect on the earnings of their companies. Effects may not always be salutary, as some companies can not pass along these higher costs.

In general, those companies that can most easily pass along their higher wage costs, and those of materials used, in the form of higher prices are in a less vulnerable position, so far as any deleterious effect on earnings is concerned, than those with more rigid cost which can not be passed along, either in full or in significant part.

Some companies are not burdened with a large wage factor but are, at the same time, especially affected by price changes in the products they use, since they are regulated by fixed rate schedules. Among these, of course, are the public utilities, railroads, airlines, trucking companies and shipping firms. Other companies will not be able to pass along higher costs because of burdensome inventories or because of unusually severe competition within the industry.

Thus, while prices are rising, this is, by no means, an indication they are rising everywhere. In fact, in some industries they can not rise at all. This means that every dollar of additional expense for materials that must be bought to keep manufacturing going diminishes profits. In other instances, such as steel and non-ferrous metals, price boosts can wipe out added costs and even afford an added profit.

The wage factor bulks largest in such industries as office equipment, aircraft manufacture, airlines, electrical equipment, machinery, rubber and tires, building equipment and railway equipment. Obviously, these industries are most severely affected by higher costs, especially wages, and they are the ones that find it difficult to raise prices to compensate adequately for any important wage rises. Minor advances in costs, of course, can be met through greater efficiency rather than higher prices which, in fact, is the method used by many of these companies, loath to boost prices.

Industries with the lowest wage factor, on a relative basis, and which consequently are not so impelled as the others to make price adjustments when wages are raised include food, drugs, soap and petroleum refining. Higher costs in such instances are normally balanced through the huge volume of sales, characteristic of these industries.

Major Price Developments

Industries Whose Prices Have Risen This Year

Aluminum—Brass — Building Materials — Cellophane — Cement —Chemicals — Coal — Copper— Earth-moving Equipment — Farm Equipment — Fuel Oil (Crude, too) — Hat — Hosiery — Kitchen Appliances — Nylon (Many grades) — Paper Products — Platinum — Power Equipment — Rubber (Tires, etc.) — Silver — Shoe — Sports Line (Golf, etc.) — Steel (and alloys) — Television — Textile (denim, etc.) — Tobacco Products — Wood Products — Zinc

Striving for economies in the labor factor almost invariably runs into stern opposition from union leadership. Thus, in the case of Westinghouse Electric Corp., which is in an industry where wage costs are high, a proposal to time-study jobs at one plant led to strikes in more than a score of Westinghouse plants. Its competitor, General Electric, reached an agreement with the union that is expected to cost the company over $100 million during the next five years. As a result, G. E. has been forced to consider boosting prices of television sets to offset, at least in part, higher wage costs plus increased prices for materials. Yet another competitor, Allis-Chalmers, has sought to recover material and labor costs (a 24-cent an hour package increase) with a 10% boost in generator units, transformers and other products of its power equipment division.

Effect On Consumer

The consumer, of course, may be more directly affected. He is confronted with higher prices for his breakfast coffee, shoes, work clothes, tires for his car, the cigarettes he puffs and the golf clubs that he so much appreciates for the relaxation they afford. This is only a small list and is growing steadily. Having benefited in the past several years from reasonable price stability, he now must start to worry all over again whether we are about to witness a return to a period of spiraling prices such as occurred in the years following World War II.

Until this summer the consumer called the tune. The price of farm produce was down 23% from the 1951 high (and continued to spill through the summer) and manufactured goods had fallen nearly 2% from the price level of four years ago. In the meantime, wages had gone up 17%. This unusual degree of price stability was achieved by greater productive efficiency in the factories, increased output that lowered unit costs and the general tendency of manufacturers to remain competitive by "eating" costs.

While some of these price rises must be endured by the consumer (still, he can stop going to the downtown movie that has boosted admission prices to $2 and pass up the hat that has been hiked 18%), for many manufacturers it is a major operation they must suffer if they want to stay in business. Practically every industry, as an example, uses steel, copper and a miscellany of rubber goods. All of these items have risen in price — all companies have incurred these newly-risen costs. Where they differ is in their ability to pass them on. And the decision may vary even within a single industry.

Thus, in early July, when the steel industry granted a wage rise and accompanied that action with price increases averaging more than $7 a ton for steel, appliance manufacturers, heavy users of steel, were at odds over this new rise in the cost of doing business. The Norge division of Borg-Warner Corp. said it would absorb the higher material costs. Conversely, Philco Corp., one of the top companies in the appliance field, said higher prices were on the way for such devices as refrigerators and air-conditioners because steel, aluminum, and other raw materials and components cost more. The feeling at Philco, shared by hundreds of other manufacturers, is that the higher wage-material costs will make it impossible for producers of finished goods to absorb these increased costs. Such items as refrigerators and air-conditioners, cited by Philco, are heavily weighted with steel and copper, which is in extremely short supply.

Mullins Manufacturing Corp. moved swiftly to recapture the increased cost of producing its Youngstown line of kitchen appliances, raising prices by 10¾%. For five years Mullins had resisted the pressure of increased costs of all kinds, but after this summer's rise in the price of steel it had to yield. About the same time, television sets started to move higher, and several important companies sought to ease the burden of higher labor and material costs. Westinghouse in September advanced prices of a number of small appliances.

Rises Becoming General

The upward tilt goes far beyond appliances, which incidentally are in plentiful supply. It extends to apparel, ranging from the hat on your head to the shoes on your feet; to king-size cigarettes, which command an added penny, and to rubber tires for your car, up on the order of 3¼%. Heavy heating oil, now in demand these cool autumn days, also costs more.

Like hidden taxes, many of the increases do not hit the general public directly. Thus, Pennsylvania crude oil, highest octane produced and used in making lubricating oils, rose 10 cents a barrel in July. This followed a boost of 15 cents early this year. E. I. du Pont de Nemours & Co. and Chemstrand Corp., in July, boosted prices on several grades of nylon. Higher prices for silver, platinum and dacron polyester fiberfill, to cite a few more items that do not stir widespread public interest, nevertheless mean higher prices for finished goods.

The impact at the retail level will be far greater from the four increases made this year in the price of copper. The parity formula used to compute farm prices must feel the impact of the boost this summer in the price of farm equipment, with the public paying for this as taxpayer and consumer. Politicos, with an eye on the 1956 elections, already are vieing for the farm vote with demands for higher prices of farm products — the one soft spot in the economy.

Yet there is an awareness that the cost of living is on the rise. The index kept by the Government

chalked up its second straight monthly advance in July, increasing .3%, sharpest rise for any month since May, 1954. Even more rises appear in prospect and they should reflect, to a greater degree, the higher cost of manufactured goods. The latest increase in the index added one cent an hour to the pay envelopes of hundreds of thousands of industrial workers covered by labor contracts that include cost-of-living escalation clauses.

Some Get Help, Others Hurt

The investor, watching the pattern of general prices unfold, will realize from the foregoing that not all companies are in a position to offset higher wage-material costs or take advantage of the supply-demand situation, which favors producers of steel, non-ferrous metals, paper products and the like. The pattern of action in the appliance industry is but one example. In the case of makers of automobiles, as another instance, there is widespread belief that 1956 model passenger-car prices will be raised, but in the present market for cars list price means little. Of course, the distributors and dealers of vehicles will have to pay the higher prices laid down by manufacturers, but the system of offering bonuses to dealers, a widespread practice, indicates that the auto-makers are not immune to the "cut rates" that predominate.

Railroads and utilities can hardly enthuse over the current trend toward higher costs. Many of these companies, in addition, have yet to come to grips with the demands of their workers for higher wages. Meanwhile, they already are feeling the impact of higher prices for steel, which they use in large quantities, and soft coal, now at the highest price in this century.

Happy Bakers

Of course, not all commodities are in the ascendant. Wheat prices, as a case in point, reached a 12-month low this summer, sending bakers off on a buying spree. Their huge purchases, which will meet flour needs of many bakers into 1956, should help prevent another climb in bread-making costs. Flour accounts for about 4 cents of the retail price of a 13-cent one-pound loaf. There usually is a scramble for flour right after harvest, but grain people have never seen anything to equal the frenzied buying of mid-July. In three days, millers booked orders for over 25 million 100-pound bags of flour. That heap would supply every American with a slice of bread daily for a year.

The baking business, however, is unique. For most manufacturers, costs of material and labor continue to mount, in addition to which they face the "squeeze" growing out of rising costs on borrowed money. Scarcely a week goes by that rates are not boosted for commercial paper and bankers' acceptances. Besides, banks extending loans to business customers now often expect borrowers to maintain more substantial deposit balances. Many corporations which deferred financing programs now find that they must pay considerably more for money than they had expected.

Purchasing Agents Worry

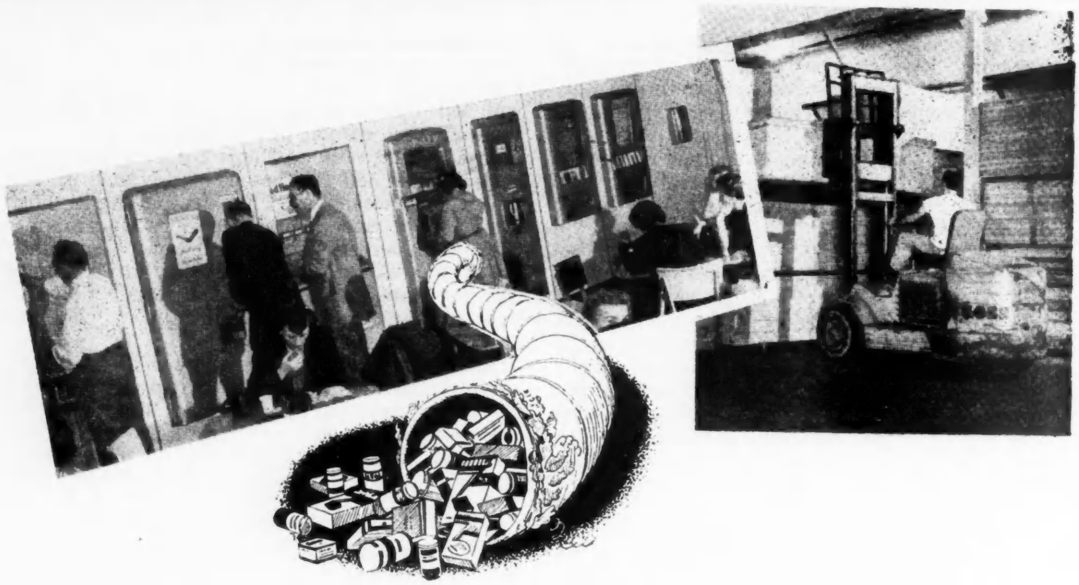
Many of the top purchasing agents of American corporations are deeply concerned over the price spiral stemming from higher costs of raw material, fuel, wages and borrowed money. Many also are worried by shortages of important commodities, such as steel, copper and aluminum.

The buying policy of many purchasing agents has been lengthened "to cover in advance of price increases or shortages." They are paying higher prices for rubber, steel, copper, paper, aluminum, brass, fuel oil, chemicals, electrical equipment and wood products, among others. And they are finding it difficult to come by steels, special steel alloys, copper and copper products, aluminum, nickel, cement, brass and selenium.

Inside the factory, the answer these days is not always expanded output to spread unit costs. This is due to the growing scarcity of factory hands among the jobless. Expense of training workers is costly and the unskilled predominate among the unemployed. An added woe of manufacturers is the fact that they have not yet seen the full effect of wages on the cost of things they buy. Their suppliers may have passed along the markups on steel, but they may not have caught (*Please turn to page* 51)

Industries Benefiting From Ability To Pass Along the Increased Costs

Steel	Increased prices more than $7 a ton this summer to offset wage rises.
Non-ferrous Metals	Copper has been boosted four times this year to put that metal at highest level in history while zinc has been upped three times to push that metal nearly 50% ahead of prices that prevailed in early 1954.
Paper	A wide range of paper products now sells at higher prices than a year ago with industry encountering only negligible sales resistance. A rise in newsprint prices is expected.
Rubber	Moving to recapture higher costs, industry has boosted prices of tires, belting, industrial rubber hose, shoe products and other items in the line.
Coal	Bituminous coal prices raised the very day miners were given wage hike. Action put the national average price of soft coal at the mine above the $5 a ton mark for first time in this century.
Tobacco	Prices of cigarettes, cigars and allied products have been advanced by most of the leaders in the industry.
Building Materials	A long list of items used in this booming business has been in an upward trend for many months.
Shoes	Leaders of this industry, producing at record levels, boosted prices, blaming steadily rising costs in the last two years in manufacturing and wholesale-retail distribution. Heels, soles and other component also advancing.
Hats	Up this fall as much as 18% at retail.
Farm Equipment	Tilted higher this summer by 7%.



from small beginnings . . .

. . .3 NEW GIANT INDUSTRIES

by J. H. PARTRIDGE

Improved methods of production and distribution within the economy, ranging from the raw-materials source to the consumer level, have aimed at trimming costs and expanding markets. These processes, spawned by the research laboratories and eagerly sought after in an age of fierce competition, have bestowed increased stature on many fields of endeavor that were of only minor significance in the pre-war era and given new impetus to enterprises which have been quick to exploit these new trends. At least three new industries, often paced by old-line companies, are now confronted with wide horizons as a result of these developments. In the argot of the investment fraternity, the trio—materials-handling, packaging and automatic dispensing—represents a prime growth situation.

While the three industries are far removed from each other, they have this in common: Their attainment of new vistas stems from the large contribution they make toward the economies effected by the companies they serve, for they are, first and foremost, manufacturers for manufacturers. Thus, a maker of materials-handling equipment may devise a system of conveyor belts that brings ore from a hitherto unprofitable mine at a cost that permits resumption of profitable production. Packaging companies have a major role to play in the age of self-service and supermarkets, which have changed buying habits of consumers and, indeed, made the package as important as the contents. Automatic dispensing, as a third illustration, offers to manufacturers of low-priced products a broader market and more economical distribution.

The three fields cited here have, in many instances, attracted growing investment interest in companies that were undistinguished factors until a few years ago and other entities, long established, which have had a considerable upsurge, thanks to keen management exploitation of the investment opportunities afforded. Let us proceed to examine each of these industries.

Materials-Handling

Automatic materials-handling is a form of automation. There are well over a hundred companies engaged in production of such items as industrial trucks, conveyor systems, shuttles and scores of other devices that replace muscles with machinery. The roster ranges from such industrial giants as top rubber companies down to medium-size firms such as Yale & Towne Manufacturing Co., Clark Equipment Co., Link-Belt Co. and on down to small units which are unknown to the investment community. The list adds up to a $1 billion annual business, about double the volume attained a decade ago. Obviously, it would be impossible to canvass the scores of companies within the industry, but a brief study of a couple of firms in this field should suffice to highlight the opportunities that abound here.

One of the important beneficiaries of the growth of materials-handling equipment as a factor in industrial production and distribution is Clark Equipment, founded around the turn of the century. That company long has pursued a policy of sweeping "deadheads" out of its product line (industrial steel drills and street railway under-carriages, as examples) and proven unusually adept at developing such profitable items as materials-handling lift

trucks, straddle carriers, towing tractors and parts for these products. Sales for the first two quarters of this year have exceeded original quotas and orders on hand show no sign of a let-up for the balance of 1955. The basic reason underlying Clark's booming business in materials-handling equipment is the wage-price spiral that has its corporate customers scrambling for cost-saving equipment.

Over-all Clark sales for the first six months toted up to $64,780,000 and net profit was $3,717,000, or $3.28 a common share. This compares with sales of $51,718,000 and net of $2,779,000, or $2.44 a share, in the first six months of 1954. Record sales and earnings are the 1955 prospect for Clark, which had a volume of less than $6 million as recently as 1935 and under $55 million a decade ago.

Bulking equally large in this field is Yale & Towne Manufacturing Co., an old-line enterprise that became a household name through its locks and allied hardware items. Its materials-handling products have surpassed that segment of the business, ranging to 65% of total volume. The line includes a variety of hoists and industrial trucks. As recently as 1940, sales of Yale & Towne amounted to only $21 million. By 1953, they had risen fivefold to $109,626,000, thanks to the growth of materials-handling business. A decline was sustained last year in the over-all business as Government work dwindled. However, sales and earnings are headed higher this year.

Conveyor, Crane and Monorail

There are other makers of industrial trucks, notably Towmotor Corp. Conveyor systems are produced by such companies as Link-Belt, Oliver Corp. and Hewitt-Robins, with topnotch rubber companies supplying the rubber belting. Whiting Corp. is a major producer of overhead cranes and monorail systems.

Nearly all of the companies in the field report business up substantially from 1954, with the improvement ranging to 25%. The trade as a whole is expected to show a gain of about 10% on the year, which would take the industry back to the $1.25 billion of booming 1953. Although growth of the industry has been impressive, additional gains are expected to accrue from the wage-price spiral that intensifies the demand for cost-cutting. In addition, plant automation offers a rich field. Some of the projects are grandiose, including rubber conveyor belts that would extend 105 miles from Cleveland to East Liverpool, Ohio, hauling millions of tons of ore annually from Lake Erie south to the steel mills and other millions of tons of coal north to Cleveland. This project has sustained a legislative setback, but the trend is believed to be unmistakable.

Vending machines have been with us for more than a generation, but they have gained major-league status only in the past several years. Whereas they once confined themselves largely to pushing out sticks of gum, they now dispense hundreds of items, including coffee, soup, snacks, cigarettes, perfume, combs, drugs and a host of other products, such as milk, made possible by refrigeration. All-weather mechanical "milkmen" on 24-hour duty on busy streets and highways, cigarette machines that talk back to customers (a mechanical voice tells you to buy two packs so as not to run short), robot cafeterias supplying complete meals, store-front machines catering to passersby, devices that sell sundries in railroad terminals—these and other innovations helped boost the automatic merchandising industry's gross sales last year to $1.75 billion. Volume is expected to climb to $2 billion for 1955.

Automatic Merchandising

While cigarettes, soft drinks and candy continue to lead vending sales, milk is making the biggest news of the year with tens of thousands of refrigerated dispensers already in operation. It is anticipated that such machines could provide an "impulse market" that would eventually reduce milk surpluses sharply. Vending machines sold an estimated $20 million worth of ice cream last year, as an example of their popularity.

Giant of the field is Automatic Canteen Co. of America, a 25-year-old coast-to-coast operation that now is taking over the Rowe Corp., another leader of the industry. Acquisition of Rowe, maker of vending equipment, is a major step forward for Canteen. Until now, Canteen did not have manufacturing facilities, although it maintained an engineering department. The merger will link the engineering and operating know-how of both companies, resulting in new and improved vending machines by Rowe's manufacturing (*Please turn to page* 52)

Companies Identified With 3 New Industries

	Sales Growth				
	1947	1950	1953 (Millions)	1954	Estimated 1955
PACKAGING:					
Dobeckmun Co.	10.1	22.1	29.2	33.3	38.0
Container Corp. of Amer.	128.3	154.8	187.5	186.5	205.0
National Container	43.3	46.6	63.2	75.6	92.0
Standard Packaging Corp.	7.0	7.8	17.6	19.7	21.0
United Board & Carton Corp.	11.5	7.9	13.9	15.1	(N.A.)
AUTOMATIC DISPENSING:					
A B C Vending Corp.	24.8	34.5	46.8	48.1	46.0
Automatic Canteen Co. of Amer.	18.5	23.0	48.2	48.7	50.0
MATERIALS-HANDLING:					
Clark Equipment	61.1	68.6	122.2	101.9	130.0
Hewitt Robbins	21.6	23.4	38.4	35.5	42.0
Link Belt	87.3	83.1	129.7	111.2	120.0
Yale & Towne	62.1	65.1	109.6	87.8	102.0

(N.A.)—Not available

PROBE INTO CREDIT CONTROLS

By "VERITAS"

PROSPERITY note is echoing from the dusty files of public works programs which agencies were preparing only two years ago in readiness to "cushion" the shock of a business decline that never arrived. So that the effort may not be a total loss, the Housing and Home Financial Agency, through its Community Facilities Administration, now is out looking for "business" from cities which can qualify under a broadened program. Governmental units now may apply for interest-free planning advances for whatever types of public works are authorized.

> **WASHINGTON SEES:**
>
> Most of the diplomatists in Washington are happy to admit they guessed wrong on the Adenauer visit to Moscow and have revised their appraisals on its contribution to peaceful relations in Europe. While the meetings did not result in clear-cut decisions on some main points there was enough gain to suggest the likelihood of steadily lessening tensions on both sides of the curtain.
>
> The human body as a medium of diplomatic exchange does little credit to a modern civilization, but the deals in recent weeks lean heavily to its use. China has improved its standing with the Western World by releasing some United Nations prisoners, Americans included, and will better relations when a larger contingent of civilians are allowed to return home. Moscow is readying the release of war prisoners to go back to Germany. And some Orientals in the United States soon will be embarking for their homelands.
>
> Adenauer yielded on his insistence that restoration of full diplomatic relations await more tangible evidence of German unification. The Soviet dropped its demand that communist-saturated East Germany be brought in on the prisoner release deal. It is in the latter action that the real significance of the parley is found: Russia now admits that the Federal Republic is the legitimate spokesman for the German people. Lacking that recognition, Germany could never have full membership in the Family of Nations.

HOUSING PROBE which hasn't marked out any culprits in advance and isn't calculated to put anybody in jail will get under way October 5. A House committee will visit Newark, Philadelphia, the West Coast and some Southern States. Information will be gathered on urban renewal, mortgage credit availability, and the effects of government credit controls. Last to be listed topically, the effect of credit controls initiated by the Government probably should come first. The committeemen hope to find an answer to whether these are dangerously restrictive.

LEGISLATIVE steps to soften the economic blow of disastrous floods will take many forms when the new Congress convenes. They will be the backwash of crushing damage inflicted on Northeastern states several weeks ago. Most of them will be toned down as recovery removes the horror of the early days. But out of the suggestions will come a national assistance program to provide hurricane- and flood-stricken areas, long-range help for local governments, property owners, tenants, farmers, and operators of small business, after "first aid" ends.

LABOR, in the sense of its more vocal headquarters spokesmen, has registered so many grievances against Congress that it was hard to determine which fault it considered most censurable. AFL has supplied the answer: "The worst failure of Congress was in connection with the Nation's disgraceful school shortage. When Congress can find billions for all sorts of projects, it is shameful that it cannot provide federal aid to education."

As We Go To Press

Republicans' disposition to talk down the implications of the "meeting at the summit" is encouraging democrats to indulge an attitude that comes close to gloating. They may find themselves strategically trapped. The word went out from the GOP campaign school to its class of state chairmen to emphasize the exploratory aspects of the meeting, condition the public for a long haul which will not show immediate results. National Chairman Leonard Hall bridled at the suggestion that his party is "softer" with the commies than was the Truman Administration: Had the republican President not, he was asked, clinked glasses with the top Soviets just a few months ago? Hall's reply was not calculated to picture a pally situation. The Truman Administration never conceded communism a domestic peril, whereas Ike recognizes it as global.

But conjecture and inference won't take the place of the cold facts of success now being spread on the record. Ike had hardly set up in business in Washington upon his return from Geneva when the republicans announced plans to slash $1 billion from Pentagon spending. General Eisenhower might be fooled on the faithfulness of a political associate, for that is still a strange field for him; but the possibility that he might be mousetrapped militarily is just about nil. And it was the General who dictated the cutback in military manpower. In any event the spending cut which could mean budget balance, is something the taxpayers can appreciate without supporting argument.

There are other signs of success which the GOP may be pretending not to evaluate now, the better to spring them in a politically profitable moment. The exchanges of farmers, salesmen, and businessmen generally is bonus for amity. Freeing of imprisoned Americans in Russia and in China removed an irritant that countered efforts at friendly relations between the principal nations in the war of ideologies. "Friendly" is used here in the diplomatic sense - a friendship of expedience, running both ways. And Russia recently conducted diplomats through its atomic power installations. That, too, came after the Geneva meetings and undoubtedly is related to the spirit engendered there.

While the country will, more than ever, demand a balanced budget in the next 12 months now that it has been promised with earnestness and assurance, the Administration will be harassed by critics. Former President Truman started the campaign ball rolling. But the objections will not center in the democratic party; there will be plenty of critical republicans on the firing line. They will demand to know why President Eisenhower asked one full billion dollars more for defense than he now considers necessary. If the cut is related wholly to the Geneva meetings, the next question will concern what Ike found there that we didn't already know, and what the Kremlin intends in parallel action.

Out of the Labor Day oratory which was largely a re-play of last year's and the year before, came one reiteration of importance: the unions do not intend to create their own political party, with candidates and all the rest that went with the lately downgrading Labour Party of Britain. If the AFL-CIO merger goes through three months hence it will embrace 15 million voters, according to union hall estimates. Their leaders would unquestionably presume to speak for all of them in spite of conflicting geographical and other interests. If all of them voted and for the same ticket, they could swing any election. But because neither of these "ifs" has been borne out in any election, the republicans will take their chances on a repeat of the 1952 and 1954 performances in organized labor centers.

The Federal Government is anxious to get out of one line of business in

which competition with private enterprise is not involved: boarding criminals convicted in the District of Columbia. Washington, D. C., is Federal territory with municipal functions and the malefactors brought to justice in its courts divide between national and local penal institutions. The local bastilles are filled so the Federal Government takes in boarders. But despite much talk of crime reduction, jail populations are growing: fewer crimes, but more serious ones involving longer terms. One solution offered is to build a new factory to replace a decades-old one which makes auto tags, traffic signs, etc.

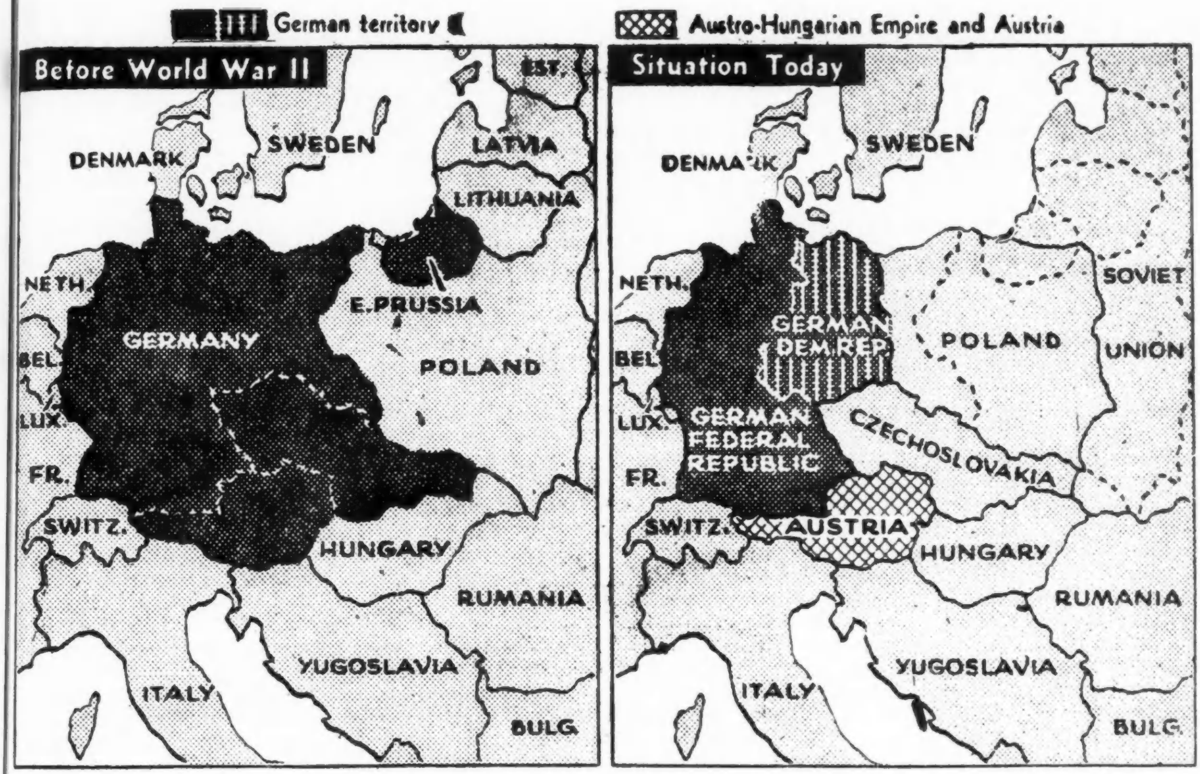
The Federal Communications Commission is considered likely to duck the explosive issue of pay-as-you-see television by referring the basic questions of law direct to Congress. The entire broadcasting industry has a tremendous stake in the answer eventually to be made to the petition of three companies -- Zenith, Telemeter, and Skiatron - for permission to sell programs on the now free airwaves. First run pictures would be shown to home audiences subscribing to a pay service and the effect on movie house attendance might be disastrous.

The Federal Communications Commission has been sparring for one year. Briefs for and against were received under a July 10 deadline; reply briefs came in to meet a Sept. 8 final date. The comments fill approximately 50 large volumes and staff members say it would take one year to digest them before they could be sent to the Commissioners for action. Meanwhile, one of the broadcasting chains has suggested a commission be appointed to analyze the arguments, then ask Congress whether the Federal Communications Act permits FCC to license the air waves for direct sale of programs. Commissioners lean to the theory that a free-to-set owners operation was contemplated in the law and that the answer lies with Congress. Informed guessers say the final answer to toll-TV won't come until 1960 at the earliest.

The $1-an-hour minimum pay for interstate business already is outdated, says the CIO in launching an immediate effort to get the $1.25 level written into law. The drive will be tied in with a too-obvious attempt to frighten the GOP into action. CIO affiliates were told: "Adoption of the $1 minimum was a distinct victory for labor, for President Eisenhower was reluctant to ask for any increase and his Secretary of Labor hemmed and hawed on any figure, and the Administration finally, and with reluctance, spoke up for 90 cents." Complaint is made that the boost amounted to only 33 per cent, and it should have been 66 2/3 per cent!

Labor won't be satisfied with a wage increase. It wants broader coverage (which, incidentally, would open new fields for union member recruitment). Claim is entered that fewer kinds of workers are covered under the new minimum than were protected in the 1938 Fair Labor Standards Act when the minimum was set at only 30 cents an hour. The damage, say unionists, was done in the 1950 bill when the raise to a 75-cent minimum came about. Agriculture and the retail trades are the principal targets for inclusion in the law.

Rail and trucking representatives remain sharply split over Administration proposal to introduce a greater measure of competition into rate-making. The railroads feel that the I.C.C., in passing on rate proposals, puts too much emphasis on whether or not it will result in the carriers getting more than their "fair share" of available traffic. They argue that there is no handy guidepost for determining fair shares. Spokesmen for the truckers, on the other hand, fear competitive rate-making would enable the rails to wreck their business. They warn that the shipper would enjoy only temporarily the luxury of depressed rates, for once the truckers were driven out, they contend, monopoly pricing would cause rates to spiral. The railroads insist that the present transport policy penalizes carriers, shippers and consumers. What the railroads want, among other things, is more freedom to cut freight rates here and there to permit them to compete for freight that moves by other modes of transport.



OUR FOREIGN EDITOR VIEWS THE EUROPEAN SCENE

Note: Our foreign editor, Mr. V. L. Horoth, has just returned from an extensive trip during which he visited many countries of Western Europe. He gives here a summary of his impressions. In view of the rapidly changing political and economic situation in that part of the world, his views command unusual attention.)

My vacation trip this year took me through most of the Western European countries that border on the Soviet and the satellite territories. For almost five weeks I literally skirted the Iron Curtain all the way from Lapland in the North down to Yugoslavia in the South. South of Savonlinna in Finland and east of Kirkenes in Norway I could actually peek into Soviet territory, though I must say that on both occasions the view was disappointing: a river, and then scrubby pine and birch forest beyond. There were, of course, Russian soldiers still to be seen in Vienna. But no one bothers about "gray cards" these days, and in general the representatives of Russian armed might appeared to be rather shy, nondescript young fellows intent on touring the museums and palaces with which the Austrian emperors adorned their beloved city.

By travelling hard and by being on the go almost every day, I managed to see the greater part of Finland and Norway and some of the most important areas of Sweden, Denmark, Western Germany, and Austria. The objective of the trip was not so much to interview the central bank economists of the countries visited—luckily for me, they also were away on vacation—but rather to observe the changes that have taken place in the European scene and to mingle with the people in the street. Hence this will be a light, chatty account of my trip, with only an occasional excursion into economics.

What impressed me more than anything else was the considerable "americanization" of Western European ways of living and doing business that has taken place in the last two or three years. Under this heading I would include the striking spread of "automobile civilization" on the old Continent. The hard work and dynamic activity that one sees in Western Germany and Finland also leave a lasting impression, particularly when contrasted with the easy gait of Austria and a certain smugness in socialist Sweden.

Finally, one cannot help noticing that Europeans have taken up travelling. Almost a million Americans from all walks of life are expected to visit Western European countries this year, and the British and the Scandinavians have always been great travellers too. But now thousands of Belgians, Italians, and Frenchmen are taking to the road—the

French no doubt because they can live almost anywhere more cheaply than at home. All this makes, of course, for crowded trains and hotels. On the other hand, one cannot help feeling that the Western Europeans are now beginning to know each other better than ever before, and that the old rivalries and hurts are giving place to a feeling of common bond.

Americanization on the March

Even a superficial observer can see how strongly American ways of living, habits, and fancies are influencing life on the Continent. American movies, soft drinks, and billboards have by this time become a part of the European landscape. One also begins to take for granted vacationing Europeans in bright "Truman" shirts, and hefty Scandinavian girls in blue jeans. In Finland the children are learning all about Davy Crockett from translations of our comics. Even far-off Lapland has not escaped the American influence. Here some 300 miles north of the Arctic Circle, in the summer encampments of Laplanders—sturdy nomadic people living off their great herds of semi-domesticated reindeer—one can see empty cans from American beans and soups strewn around together with jaw and leg bones of reindeer. Even a greater shock was the sight of gaily dressed Lapp children chewing bubble gum.

In larger German towns and in the industrial areas of Scandinavia, one can also count on seeing either a branch plant of some American corporation or local manufacturing establishments making American products under license. Hamburg and Frankfurt a/M seem to be particularly favored by American businesses and branch plants. Both cities are the centers of vast industrial areas and both have dug themselves out of mountains of rubble, emerging as bustling, modern metropolises. The huge Opel plant, a part of the General Motors' European empire, is in Russelsheim just outside of Frankfurt. Already an industrial colossus, it is being substantially enlarged.

There is evidence everywhere that the Germans have wisely used their available capital in the first place for the rebuilding of plants and factories. Now shopping areas and public buildings, such as railway stations, are coming in for more attention. Hamburg, Frankfurt, Duesseldorf, and Hannover have replanned their centrums, widened the streets and adorned them with modern up-to-date concrete and glass buildings. Especially at night, in the light of hundreds of blinking neon signs, one has the impression of being in Sao Paulo or Los Angeles or some other city of the New World, rather than in one of the oldest parts of Europe. On the other hand, many other German cities are lagging in rebuilding: Cologne, Kassel, Karlsruhe, Nuremberg and others. The German housing problem may have definitely improved since the earlier postwar years, but there is a tremendous amount of rebuilding yet to be done. The apartment shortage still seems to be one of the most serious problems not only in Germany but also in Sweden and other countries, where rent ceilings and other measures have discouraged apartment building except by Government authorities.

Somewhat less obvious than the American influence on living habits, is the American influence on merchandising.

Western Europe, Germany in particular, has grown merchandising-conscious in the last few years, and American advertising agencies are busy establishing branches or teaching Europeans the art of composing radio singing-commercials. Retailing methods are being modernized. Store displays, especially in Germany, compare well with those in our cities. Several new mail order houses are in business, and from northern Norway to southern Austria one notices the mushrooming of American-style groceries. In Germany there are even supermarkets now, and self-service stores and restaurants in Finland and Sweden are becoming quite common.

Progress in Merchandising

The spread of new retailing methods—France and the Netherlands are the two countries still holding out in favor of the small shopkeeper—has been aided by postwar developments. One of them has been the leveling of the old middle class and its absorption into the new postwar "upper working class". That has created a broad one-class market that in turn has made possible production at a mass price and the development of brand products. In recent years the "upper working class" has benefited from considerable wage increases. Since rents are low and the welfare state provides for medical expenses, the new class of skilled workers has considerable purchasing power left for household equipment and even motor cars. The shortage of household servants has also contributed to the growth of the one-class market and to the spread of new retailing methods.

In all countries visited, displays of motor cars and household appliances seemed to attract an extra large share of window shoppers. However, the ownership of refrigerators, deep freezers, and other more costly electric appliances is widespread only in Sweden, Norway, and Denmark, and even in these countries the recent international payments difficulties and internal inflation problems may lead to restriction of purchases. West Germany seems still to be pushing the export of appliances rather than their domestic sales, and in Austria and Finland the market remains very thin.

Volkswagen Ueber Alles

The number of cars on European highways doubled in the 1948-54 period, and I was told that if the present boom continues, the number will double again in another four or five years. Two developments have encouraged car ownership: the rise in the living standards of "the upper working class" whose members seem to be the chief buyers of new cars, and installment buying, which has spread like wildfire through most of the European countries. This, of course, has been another "American influence".

The average European, and by that I mean the man on the street or the casual acquaintance on a train or bus, was always far more ready to discuss the advanatges or disadvantages of a particular make of car than the current political, let alone the economic picture. It would almost seem that for the average West German the ownership of a Volkswagen has more meaning than the unification of the country. And the Volkswagen is a well-made car, tailored to European conditions and selling like hot cakes both in Germany and in foreign markets.

One can, however, perceive serious problems if

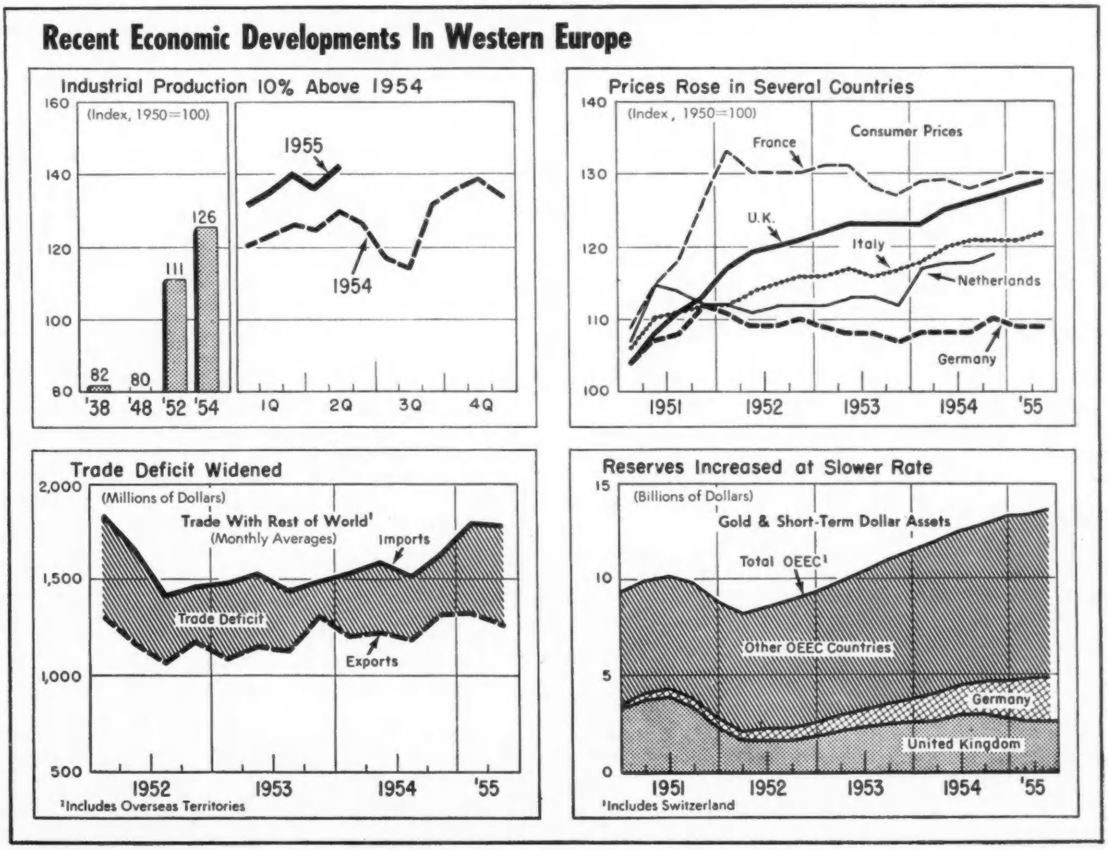
Western Europe continues to pour out motor cars at an accelerated rate. West Germany alone is aiming at the one-million mark within a year or two. With the exception of the German "autobahns" built by Hitler, and a few modern highways in Sweden, the roads in the countries visited are mostly narrow, high-crowned and dangerously winding when they serpentine over mountains or pass through towns and villages. They are certainly not adequate for the traffic they are carrying, which in Germany includes heavy trucks, often with one or two trailers. This makes motoring, especially in Germany, quite hazardous, and accidents in relations to car numbers are many. If Western Europe is really entering a period of economic expansion that will accelerate the tempo of its economic activities, then one can visualize an almost unending construction boom involving the modernization of railways, the reconstruction of highway systems, and considerable housing construction to boot.

Dynamic Finland and Germany

West Germany certainly gives the impression of a huge, neat, busy ant heap. I did not see the Ruhr area on this trip, but as I write this, I can visualize the great industrial potential centered in the upper Rhine-lower Main valleys: one huge plant after another: steel mills, chemical works, and engineering establishments of all sorts, many of them ultra modern. I can also visualize prosperous farm houses and hard working farmers cultivating every inch of tillable soil. If any European country actually builds up a better and bigger economy, I am certain it will be West Germany. Without booming Germany, all neighbouring countries would be worse off.

It is being said in Europe that the Germans have again won the war. This is a vicious quip. While the Germans have up to now had a relatively light defense burden to carry and while American aid unquestionably primed the pump and started the German economy functioning in 1948, West Germany today is a monument to the hard work and discipline of the German people, and of German labor in particular. German labor is now demanding a larger share of the national pie, but Germany is one of the few industrial countries where productivity still keeps ahead of wage demands.

Finland is another dynamic, hard working country. I expected downhearted, impoverished people and shabby, backward towns. Nothing of the sort. Although they had less American aid than any other European country—a mere fraction, for example, of what we gave to Austria or Greece—the Finns resettled their compatriots from Karelia, which was lost to Russia, and provided them with tools and land. They have rebuilt the devastated North and built up a remarkable assortment of industrial plants for people who were basically lumbermen and farmers. Finland is a country of small family houses (except in Helsinki) rather than of ultra-modern Government built *(Please turn to page 56)*



STOCK SPLIT CANDIDATES

1955-1956

By WARD GATES

By the time the current year has run its course, the number of companies listed on the New York Stock Exchange which in 1955 have split their common shares on a two-for-one or better basis probably will set a new postwar year high.

Since last January to the end of August, 52 Big Board stocks have been split. This number is exclusive of nine or ten companies that in the same period split their shares on a three-for-two or five-for-four basis, or paid stock dividends of 75 per cent or less. Of the total number paying 100 per cent or more during the 1955 first eight months, 28 were on a two-for-one basis; four were two and one-half-for-one; 19 were three-for-one, and one was split four-for-one. Sixteen more stock splits by companies traded on the Exchange are scheduled for October and November. When these proposals are put into effect, the number of Big Board common stock issues split on a two-for-one or better basis during the first 11 months will be 68. This is twice the total of similar-size stock splits in 1954, and only six less than the postwar record year of 1946 when 74 Big Board common stocks were split, and compares with each year of the past decade as follows:

1946	74	1947	48
1948	30	1949	17
1950	33	1951	49
1952	35	1953	23
1954	34	1955 to date	70

Included in the 1955 total of stock splits that have been made effective and those still to be carried out or which have been proposed are the two-for-one split of the common stock of the *Chicago, Rock Island and Pacific Railroad* and the five-for-one split of *United States Gypsum Co.'s* common stock. This latter issue was frequently mentioned in these colums as a logical candidate for a stock split, specific reference being made to it in the April 3, 1954, issue of The Magazine. During that month the stock ranged in price from a low of 130¾ to a high of 145, and by November of 1954 had moved up to a high for the year of 233. Just prior to disclosure of the plan to split its stock on a five-for-one basis made on last September 12, Gypsum was selling around 295½, and before the day's trading session had ended the stock sold at 325, up 29½ points from the previous day's close. Under the proposal, subject to approval by shareholders at a special meeting scheduled for December 28, five shares of $4 par common stock would be exchanged for each share of the present $20 par common.

Simultaneously with U. S. Gypsum's stock split proposal came the disclosure by Chicago, Rock Island and Pacific Railroad of its plan to split its common stock two-for-one. Rock Island as a possible candidate for a stock split was brought to our readers' attention in August, 1954, when the stock was selling around 72. Since then it has advanced to a recent high of 101¾, and currently is selling around 97. More detailed reference to this stock is made in our "thumb-nail" analysis of the road appearing on page 25 of this issue.

Reynolds Metals, another issue making up our list of "15 Potential Stock Splits" presented to readers a year ago last August, was also "starred" as a stock having room for further appreciation in the pre-stock split period. As a matter of fact, considerable space was devoted to our comments on Reynolds Metals at that time with particular reference being made to heavy charges on accelerated depreciation that kept stated earnings considerably below the real figure and the stated policy of the company to maintain a conservative cash dividend until a substantial repayment of debt had been achieved. In this connection we said: "It is also possible that if estimated earnings based on recent profit ratios and current capacities are realized much of this debt can be retired at a rapid rate in anticipation of which consideration would be given to a split-up of the capital stock***."

Immediately subsequent to that article, Reynolds Metals advanced from 79 to 125, the latter price being reached in December of last year. From this level, the stock moved steadily upward to where in the early part of last September it sold at 255¼, adding another 45¾ points to this price immedi-

ately following the news that the split-up of the shares had been approved by stockholders. In other words, from 79, the price prevailing in August, 1954, Reynolds Metals climbed to a September, 1955, high of 300, an advance of 221 points per share on the old stock over a period of a few days more than a year.

Since publication of our list of "15 Potential Stock Splits", companies making up that list, in addition to Rock Island and Reynolds Metals, that have made stock splits effective, include: Bendix Aviation which split its stock two-for-one in March, 1955; Cities Service, two and one-half-for-one, also in March of this year; Corning Glass Works, two and one-half-for-one last February; Ex-Cell-O Corporation, two-for-one in April, 1955; B. F. Goodrich Co. two-for-one, last January; Sperry Corporation, later merged with Remington Rand, two-for-one in October, 1954; Texas Gulf Sulphur, three-for-one last May, and Standard Oil of Indiana which last December doubled the holdings of its common shareowners by doubling their holdings through payment of a stock dividend of 100%.

Prospects for Further Splits

It is quite probable that the list of 70 companies effecting or proposing stock splits so far this year will be increased during the remaining weeks of 1955. Although it always has been believed that stock splits are most likely to be proposed in the early months so shareholders could vote on the matter at regular annual meetings, there are increasing signs that stock splitting knows no time nor season. Attesting this are the number of companies proposing split-ups in the final half of this year.

Anticipation of possible stock splits to come is arousing increasing speculative interest in issues considered to be likely prospects. This in itself is a big factor in pushing prices for these stocks to higher levels which, so far as the more volatile issues are concerned, increases the hazards for the investor whose commitments in this class of stock have been made for the purpose of realizing speculative profits on a definite announcement of a stock split. In making up the accompanying list of "22 Potential Stock Splits", we have endeavored to shun the more volatile issues. The list, as it is presented here, is made up of stocks that are considered to show a greater degree of market stability and which should appeal to the more prudent investor. Several of the more interesting issues in the list are singled out for somewhat detailed comment in the following paragraphs:

ALLIS-CHALMERS MANUFACTURING CO. — Currently priced in the market around 69, the common stock of Allis-Chalmers is selling at just over 10 times 1955 estimated earnings of $6.25 a share. At this price and on indicated dividend for the year of $4 a share, the yield is approximately 5.7%, an attractive return on the stock of a company with such an impressive record of growth. Long a factor as a producer of agricultural machinery and electrical power equipment, it has steadily broadened its diversification, producing varied equipment for the metallurgical, chemical, construction, roadbuilding and other industries. Growth is reflected in sales since 1947 mounting from $211 million to 1953 peak of $514 million. Indications are that another new high will be established this year, and the longer-

22 Candidates For Stock Splits — 1955-1956

		1955			
	Price Range 1954-1955	Estimated Earnings Per Share	Indicated Div. Per Share	Recent Price	Div. Yield
Allied Chemical & Dye	122¾- 72½	$ 5.50	$ 3.00	112	2.6%
Allis-Chalmers	81⅛- 45⅛	6.25	4.00	69	5.7
Babcock & Wilcox	114 - 42⅜	8.75	2.75[2]	100	2.7
Bethlehem Steel	161½- 50	18.00	6.75	161	4.1
Clark Equipment	81 - 33¼	7.00	3.00	74	4.0
Container Corp.	80 - 33⅞	6.00	3.00	74	4.0
Continental Oil	90¾- 52	4.50	2.80	87	3.2
Du Pont	249¾-104⅛	9.00	6.50	232	2.8
Eastman Kodak	82¾- 46¾	4.50	2.20	80	2.7
General Foods	86⅛- 56⅝	5.30	3.00	83	3.6
Hercules Powder	130¼- 68	6.50	3.50	130	2.7
Inland Steel	84½- 40⅞	8.50	4.50	87	5.1
International Paper	114½- 55	8.00	3.25	110	2.9
Johns-Manville	97 - 61¾	5.60	4.25	87	4.8
National Gypsum	55¾- 20¼	5.00	2.00[2]	53	3.7
National Lead	84 - 38	4.00	2.50	81	3.0
Pittsburgh Plate Glass	86¾- 52	6.00	2.50	86	2.9
Sherwin-Williams	117½- 74	8.10	4.25	110	3.8
Spencer Chemical	74⅞- 55⅛	4.04[1]	2.40	70	3.4
Standard Oil of New Jersey	144½- 71¾	10.00	5.00	140	3.6
Texas Company	109½- 57½	9.50	4.00	110	3.6
Union Bag & Paper	96¼- 43⅜	7.50	3.75	100	3.7

[1] Actual fiscal report. [2] Plus stock.

Stocks Split During 1955 — To Date	Rate of Stock Split	Price at Time of Split (Adjusted)	High Price For Year After Split	Recent Price
Alpha Portland Cement	3-1	37	40	36
Aluminum Co. of Amer.	2-1	72	86½	86
Amerada Petroleum	2-1	94¾	105¼	98
Armco Steel	2-1	42⅝	49⅞	49
Armstrong Cork	3-1	34	35¼	29
Atlantic Coast Line R.R.	3-1	50¼	59½	46
Bendix Aviation	2-1	55⅞	59½	50
Beneficial Finance Co.	2½-1	21⅜	22⅜	20
Borg-Warner	3-1	37	48¼	44
Briggs Mfg.	3-1	22⅝	24⅝	22
Bulova Watch	3-1	1	76	73
Caterpillar Tractor	2-1	45	57	52
Cities Service	2½-1	51¾	59½	58
Cleveland Electric Illum.	2-1	33¼	41	41
Columbia Broadcasting Sys. "A"	3-1	29¾	32	26
Columbia Broadcasting Sys. "B"	3-1	29	31	25
Copper Range Co.	2-1	41	48	46
Corn Products Refining	3-1	29¼	30¾	28
Corning Glass Works	2½-1	60	73¾	72
Denver & Rio Grande W. R.R.	3-1	43¼	43⅜	42
Ex-Cell-O Corp.	2-1	51½	57	56
Firestone Tire & Rubber	2-1	58½	77¾	77
Florida Power & Light	2-1	36½	40	36
General Dynamics	2-1	53	80	57
General Portland Cement	2-1	43¼	57½	49
Goodrich (B. F.) Co.	2-1	60	74½	74
Goodyear Tire & Rubber	2-1	51½	66¼	63
Grand Union Co.	2-1	29¼	30¼	30
Idaho Power Co.	2-1	30¼	33¾	30
Kaiser Aluminum & Chem.	3-1	31¼	41½	40
Lee Rubber & Tire	3-1	23¼	25	22
Lily-Tulip Cup	2-1	51¼	66	55
McGraw Electric	2-1	54⅜	58	50
Minn. Honeywell Reg.	2-1	56	70	59
Mississippi River Fuel	2-1	29⅝	31⅛	29
Monsanto Chemical	3-1	44	52⅝	48
National Cash Register	3-1	38	47	39
National Shares Corp.	2-1	20½	21	17
Ohio Oil	2-1	35⅜	39	34
Penn-Dixie Cement	3-1	32¼	38	35
Pure Oil	2-1	39	41½	39
Rayonier	2½-1	37¼	41⅞	38
Reliable Stores	2-1	19	19¼	19
Republic Steel	2-1	43⅝	54¾	54
Reynolds Metals	5-1	2	60	58
Texas Gulf Producing	3-1	28	35½	34
Texas Gulf Sulphur	3-1	40¼	44⅞	41
U. S. & Foreign Securities	3-1	33⅛	33⅞	32
U. S. Hoffman Machinery	3-1	23	39¾	33
U. S. Steel Corp.	2-1	42⅞	60⅜	60
West Penn Electric	2-1	27	29¼	28
Western Auto Supply	2-1	29	30¾	28
Western Union Telegraph	4-1	25½	28⅞	23

[1] Split effective 9/30. [2] Split effective 9/26.

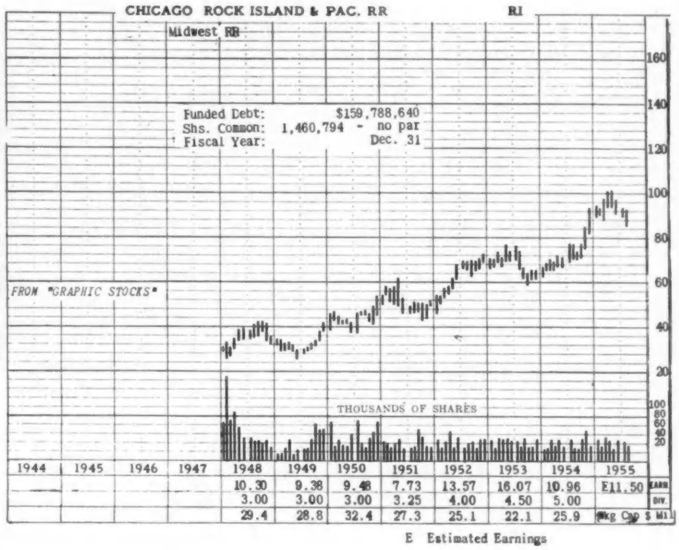
Proposed Splits	Rate of Stock Split	Effective Date of Split
Adams Express	2-1	10/18/55
American International Corp.	2-1	10/18
Black & Decker	2-1	10/17
Chicago R.I. & Pacific R.R.	2-1	1
Evans Products	3-1	1
General Motors	3-1	11/7
Gillette Co.	2-1	10/4
Hertz Corp.	2-1	10/5
Honolulu Oil	2-1	11/4
Life Savers	2-1	10/4
Owens Illinois Glass	2-1	10/18
Texas Utilities	2-1	1
U. S. Gypsum	5-1	1
U. S. Pipe & Foundry	4-1	10/10

[1] To be determined.

term outlook under a growing national economy is for a further uptrend, aided by the company's participation in the designing and manufacturing of atomic equipment. Within the postwar period more than $200 million has been expended for new plants and improvements, part of the financing of this program being through retained earnings which in the eight years since 1947 amounted to more than $81 million. The sound finances of the company are depicted in end-of-the-year figures as of December 31, 1954, including cash of more than $59 million and net working capital of $263.7 million which was more than 2½ times that shown at the close of 1947.

GENERAL FOODS CORP. — Recent decision of directors to call the $3.50 Cumulative Preferred Stock for redemption on October 31, may prove to be the first step toward consideration being given to some adjustment in the company's common share capitalization. A degree of credence is given to this possibility inasmuch as, in calling the preferred for redemption, it was stated that payments would be made from accumulated cash and that no new financing was being contemplated at this time. With the preferred out of the way, the only capital stock will be approximately 5,859,444 common shares on which earnings in the fiscal year ended last March 31 amounted to $5.29 a share. This established a new record high, reflecting the steady growth of the company whose gross sales in each year of the last decade have been progressively higher, increasing from $295.8 million for fiscal 1945, to $886.3 million for the year ended March 31, 1955. Over this same period, General Foods, while increasing dividends from $1.60 to $2.90 a share annually (again increased to $3.00 in the current fiscal year) earnings retained for plowing back into the business totaled $102.7 million, and working capital has more than doubled, increasing from a little more than $93 million at 1945 fiscal year-end, to $195.5 million as of last March 31. Contributing to this growth has been the launching of new and profitable products in line with its expansion policy that is continuing, especially in "convenience" foods such as "ready-to-heat-and-serve" quick-frozen fish sticks, meat and chicken pies, as well as other frozen food products, packaged and sold under its well established Birds Eye brand. The long-term outlook is for continuing rising sales and earnings for the common stock which ranks as an investment quality issue.

EASTMAN KODAK CO.—Although holders of Eastman Kodak common stock have been the recipients in recent years of stock dividends of 5%, there has been persistent belief that directors eventually would propose a stock split-up on a basis of at least two-for one. Supporting this expectation is the great growth in earning power, the substantial increase in net worth, and the large sums that have been expended in the last decade for additions and improvements. Last year, almost $50 million went into its plant improvement and expansion program, bringing the total amount of expenditures for these purposes since 1945 to approximately $344 million. This entire sum was drawn from company funds on a "pay-as-you-go" basis as a result of which Eastman Kodak remains free of debt. Sales last year, including photographic products, cellulose acetate yarns, staple fibers, (*Please turn to page* 46)



5 Rails with Expanding Earnings

Though the rail group, as a whole, has acquired the reputation of being comparatively laggard as against the ebullient industrials, leaders in this group have nevertheless given a good account of themselves marketwise. However, a number of the more prominent among these stocks apparently have not sufficiently reflected their striking gains in earnings, and it is in this group that worthwhile opportunities for investment can be found though they are necessarily more restricted than they were a year or two ago, in view of their rise.

In this series of "thumb-nail" sketches, we have selected five rail stocks which command especial attention because (1) of their steady progress with respect to increase in efficiency in operations in recent years (2) their location in regions which are expanding rapidly, owing to population influx and the development of new industries and (3) concrete reflection of these favorable conditions in earnings and dividends.

While these five stocks have risen substantially, in some cases, we believe that they have by no means exhausted their potentials, though purchases at current prices should be hedged through the use of available cash reserves with which to make additional prices on a scale-down plan when the market permits.

Of the five stocks, Rock Island has just proposed a 2-for-1 stock split, and when the issue settles down after the split would be worthy of consideration. Southern Pacific is in an exceptional position owing to striking potentials of the regions it traverses. Louisville & Nashville is a sound investment and still has market appeal. Great Northern also seems somewhat behind the market and Gulf, Mobile & Ohio appears destined to flourish with the continued growth of Chicago-Gulf ports region.

Pertinent data and comments on each stock accompany this presentation.

(Note: A comprehensive review of the railroad situation, with special coverage of the wage-rate problem, will appear in the October 29 issue.)

CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD

AREA SERVED: Directly operated lines of about 8,000 miles comprise a system extending into or traversing 14 states west of Chicago and from the Twin Cities of Minnesota to Galveston, Tex. Territory embraces vast grain belts and rapidly growing industrial complex.

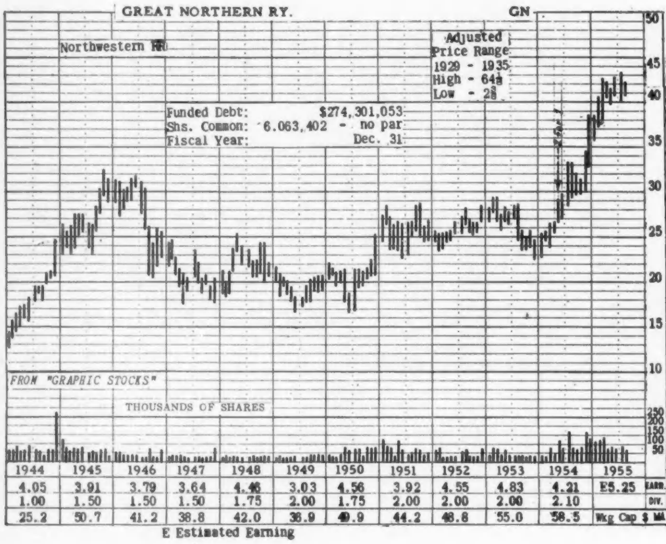
OUTLOOK: Traffic trends indicate an increase in earnings to about $11 a common share from the adjusted figure of $8.82 reported for last year. Just about every commodity handled by Rock Island shows promise of traffic improvement. Its August loadings were up from the year-ago month by better than 10%. Gross revenue and earnings for the last half of 1955 are expected to top the first-half showing. For the seven months to July 31 net totaled $9.2 million, equal to $5.84 per common share, based on the 1,438,778 average number of common shares outstanding during the period. This compares with net of $9.1 million, equal to $5.13 a common share, for the first seven months of 1954. Preferred shares of Rock Island were called for redemption in May of this year. Despite second-quarter slump in loadings, caused by a poor wheat crop in Southwest, first-half loadings were 2.6% higher than in the like 1954 period. June carloadings of wheat declined 38% from year-ago level. While this decline adversely affected net and gross for the first half, net was still 2.3% higher than like 1954 period and gross slipped less than 1%. For first seven months carloadings were up nearly 3% from the 1954 period. Directors in September voted a 2-for-1 split of common, subject to approval of I. C. C. and stockholders.

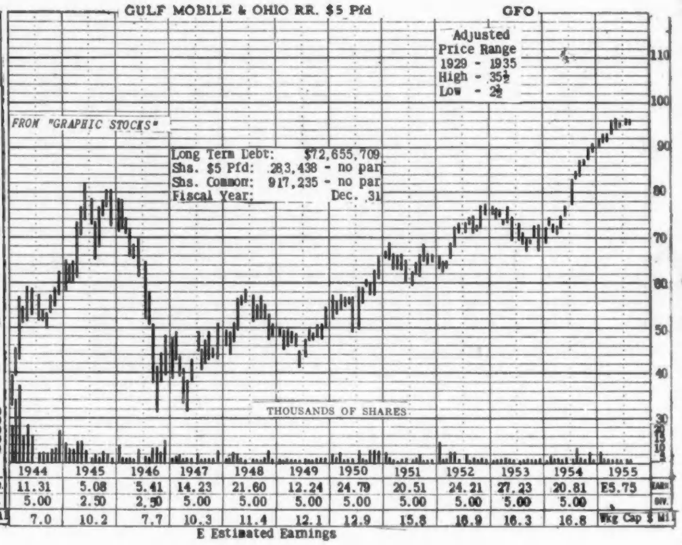
DIVIDENDS: Present common receives $1.25 quarterly. If conditions remain "substantially the same," payments on the new stock would be at the rate of 67½ cents quarterly. This would be equal to $1.35 on the present shares, which would be split in January.

MARKET ACTION: Recent price of 93 compares with a 1954-55 range of High—101¾, Low—59. At current price yield is 5.4% based on the $5 dividend.

COMPARATIVE BALANCE SHEET ITEMS

	1948	1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 50,459	$ 32,408	—$ 18,051
Receivables, Net	9,139	11,435	+ 2,296
Materials & Supplies	15,516	13,590	— 1,926
Other Current Assets	205	181	— 024
TOTAL CURRENT ASSETS	75,319	57,614	— 17,705
Road & Equipment	570,868	645,640	+ 74,772
Acquisition, Adjt. & Grants	(CR)115,602	(CR)113,803	— 1,799
Accrued Deprec. & Amort.	(CR)141,830	(CR)143,915	+ 2,085
Investments & Funds	17,085	17,282	+ 197
Other Assets	5,285	8,093	+ 2,808
TOTAL ASSETS	$411,125	$470,911	+$ 59,786
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 45,853	$ 31,645	—$ 14,208
Other Liabilities	659	1,372	+ 713
Unadjusted Credits	4,893	15,288	+ 10,395
Long Term Debt	77,142	97,330	+ 20,188
Preferred Stock	70,538	64,690	— 5,848
Common Stock	140,935	140,874	— 061
Surplus	71,105	119,712	+ 48,607
TOTAL LIABILITIES	$411,125	$470,911	+$ 59,786
WORKING CAPITAL	$ 29,466	$ 25,969	—$ 3,497
CURRENT RATIO	1.6	1.8	+ .2





GREAT NORTHERN RAILWAY

AREA SERVED: From Duluth and the Twin Cities, the Great Northern traverses North Dakota, Montana and Washington, reaching Vancouver, B. C., Seattle and Tacoma, and other points in Washington State, as well as Portland and other Oregon cities. Jointly with Northern Pacific, it controls Chicago, Burlington & Quincy, whose lines give it entry into Chicago and access to Kansas City, Omaha, St. Louis, Denver, New Orleans and other **important points.**

OUTLOOK: The Northwest area of the country, served by Great Northern, is witnessing a major surge in the development of mines, oilfields, water power, timber tracts, agriculture and shipping along with substantial industrial development. This situation has contributed importantly to the road's already well-diversified traffic, including iron ore, oil from the Williston Basin, farm producst and a miscellany of industrial items. A high rate of steel output and construction has benefited the road this year. Lumber and veneer, incidentally, was second only to grain in the freight revenue it produced last year. Over-all improvement is reflected in net earnings which rose, for the seven months to July 31, to $13.8 million, equal to $2.27 on each of the 6,069,743 shares outstanding. This compares with net of $9.7 million, or $1.61 a share on the 6,038,024 shares outstanding at the close of July 31, 1954. The earnings improve- is due, in large measure, to an intense program of dieselization, modernization of facilities and elimination of unprofitable branch and mainline local passenger trains, to cite but a few of the economies effected. The program has been carried into 1955, covering construction of a modern car-retarder freight classification yard at Minot, N. D. and acquisition of new boxcars and passenger trains. Net for 1955 is certain to pass the $25.4 million attained last year, but may not quite reach the $29.9 million of 1953. Long-range outlook is increasingly favorable.

DIVIDENDS: The quarterly dividend rate was raised with the September payment to 62½ cents from 55 cents.

MARKET ACTION: Recent price of 44 compares with 1954-55 range of High—44½, Low—27. At current price yield is 5.7%.

	December 31 1945	1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 49,579	$ 55,763	+$ 6,184
Receivables, Net	24,476	17,179	— 7,297
Materials & Supplies	19,337	28,673	+ 9,336
Other Current Assets	188	556	+ 368
TOTAL CURRENT ASSETS	93,580	102,171	+ 8,591
Road & Equipment	636,335	810,243	+ 173,908
Acquisition, Adjt. & Grants	(CR) 9,953	(CR) 9,856	— 097
Accrued Deprec. & Amort.	(CR)136,473	(CR)192,308	+ 55,835
Investments & Funds	181,149	183,427	+ 2,278
Other Assets	20,226	20,584	+ 358
TOTAL ASSETS	$784,864	$914,261	+$129,397
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 42,792	$ 43,649	+$ 857
Other Liabilities	409	195	— 214
Unadjusted Credits	13,894	8,665	— 5,229
Long Term Debt	248,354	274,351	+ 25,997
Common Stock	272,839	266,857	— 5,982
Surplus	206,576	320,544	+ 113,968
TOTAL LIABILITIES	$784,864	$914,261	+$129,397
WORKING CAPITAL	$ 50,788	$ 58,522	+$ 7,734
CURRENT RATIO	2.2	2.3	+ .1

GULF, MOBILE & OHIO RAILROAD

AREA SERVED: G. M. & O.'s 2,757 miles of main track extends from Chicago and Kansas City southward St. Louis to the Gulf ports of New Orleans and Mobile. Its lines also serve such important centers as Memphis, Tenn., and Montgomery and Birmingham, Alabama.

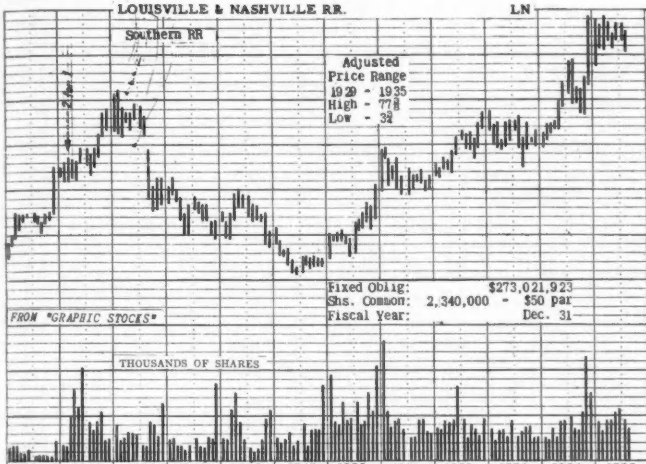
OUTLOOK: An outstanding development in the Gulf, Mobile & Ohio history is the rapid development of the road's territory in the postwar years with the influx of diversified industrial plants, while agricultural and forest products continue to provide substantial freight traffic and revenues. In the last five years approximately 410 manufacturing plants and warehouses have located along the company's lines. These additions helped to continue the greater diversification of freight tonnage demonstrated by the fact that there were 23 different commodities handled by G. M. & O., which grossed at least $1 million last year. Growing importance of the ports of New Orleans and Mobile is also aiding in the gains in freight traffic, particularly iron ore from Venezuela destined for the Birmingham steel district. Although iron ore movements did not start until April, last year, tonnage hauled accounted for about $700,000 in freight revenues and volume this year is expected to account for $1¼ million in revenues. Through capital expenditures of about $77 million the road is now completely dieselized and both roadbed and signalizing facilities modernized, yards enlarged and entire equipment fleet added to and maintained at a highly efficient level. This is reflected in 1954 transportation ratio of 30.8% and net earnings for the common stock, despite the drop in operating revenues in keeping with the letdown in the general economy, equal to $5.09 a share compared with $7.07 a share in 1953. On the basis of first 7 months of the current year net income is expected to recover to about $6.50 a share.

DIVIDENDS: Dividend policy has been conservative, current payments being 50-cents quarterly. With need for capital expenditures tapering and earnings at a high level, a more liberal payout is possible.

MARKET RANGE: Recent price of 40½, compares with 1954-1955 price range of High—44½, Low—26⅞. At current price, the yield is 4.9%.

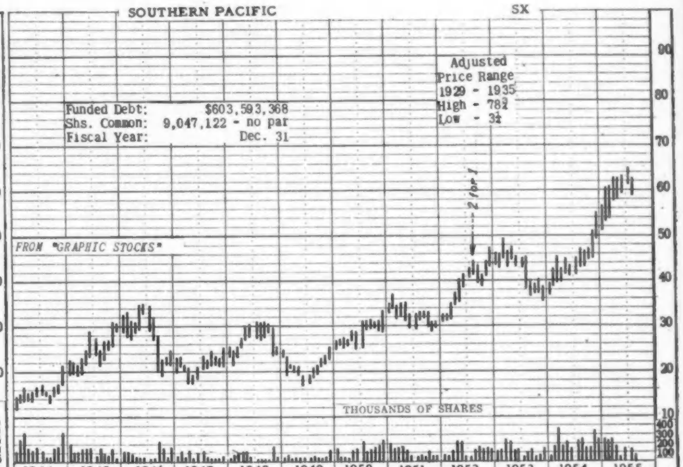
COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 12,863	$ 26,425	+$ 13,562
Receivables, Net	4,083	8,241	+ 4,158
Materials & Supplies	2,761	5,191	+ 2,430
Other Current Assets	090	325	+ 235
TOTAL CURRENT ASSETS	19,797	40,182	+ 20,385
Road & Equipment	77,870	236,297	+ 158,427
Acquisition, Adjt. & Grants	(CR) 4,282	(CR) 56,333	+ 52,051
Deprec. & Amort.	(CR) 13,632	(CR) 53,782	+ 40,150
Investments & Funds	5,415	9,421	+ 4,006
Other Assets	2,047	1,879	— 168
TOTAL ASSETS	$ 87,215	$177,664	+$ 90,449
LIABILITIES			
TOTAL CURRENT LIABILITIES	9,564	23,330	+ 13,766
Other Liabilities	069	050	— 019
Unadjusted Credits	2,950	4,636	+ 1,686
Long Term Debt	29,840	72,887	+ 43,047
Preferred Stock	28,442	28,344	— 098
Common Stock	8,266	18,102	+ 9,836
Surplus	8,084	30,315	+ 22,231
TOTAL LIABILITIES	$ 87,215	$177,664	+$ 90,449
WORKING CAPITAL	$ 10,233	$ 16,852	+$ 6,619
CURRENT RATIO	2.0	1.7	— .3



1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	
7.95	7.49	4.95	5.68	7.91	3.51	10.39	9.74	10.72	13.10	8.09	E9.50	EARN.
3.50	3.51	3.52	3.52	3.52	3.52	3.52	4.00	4.50	5.00	5.00		DIV.
45.6	48.4	42.5	42.5	70.7	43.6	51.1	38.6	35.3	45.2	62.1	Wkg Cap $ Mil	

E Estimated Earnings



1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	
4.87	4.39	3.35	4.43	5.14	4.04	6.28	5.36	6.92	6.85	5.38	E6.75	EARN.
1.25	1.62½	2.00	2.00	2.25	2.50	2.75	2.75	2.87½	3.00	3.00		DIV.
80.3	112.2	102.5	89.6	101.7	85.6	113.4	122.9	130.5	103.9	104.4	Wkg Cap $ Mil	

Earnings after funds E Estimated Earnings

LOUISVILLE & NASHVILLE RAILROAD CO.

AREA SERVED: Road operates, either through direct trackage ownership, or through affiliation, in the enormously productive region spreading from St. Louis-Louisville-Cincinnati on the West to Atlanta-Knoxville on the East and the Pensacola-New Orleans sector on the South. It also serves the extremely important Birmingham steel area.

OUTLOOK: This road has been among the foremost in modernizing its physical plant and in adopting new and highly efficient operating procedures. Among the most significant developments have been: almost complete dieselization; improved centralized traffic control; impressive maintenance of roadway and efficient utilization of shop machinery. In addition to maintaining its physical plant at the highest degree of efficiency, the road has also added substantially to its modern fleet of freight cars. While coal still remains the principal commodity carried, expansion of the South's rapidly growing industrial empire is serving to importantly diversify sources of revenue. Many new plants are being located at or adjacent to L. & N. right-of-way. Merger of the Nashville, Chattanooga & St. Louis Ry. into L. & N. is expected to have a substantial effect, since single management and control for both roads will tend to bring about important operating savings. The company was set back earlier this year by a protracted strike but these effects have by now been absorbed. Earnings this year are estimated at $9 a share, compared with $8.09 in 1954, when they were affected by the 1953-54 recession. In 1953, earnings were $13.10 a share, which probably more nearly represents real earning power under favorable conditions. Since the road serves a vigorously growing region, such earnnigs potentials seem attainable in a comparatively early period.

DIVIDENDS: The stock is on a $5 annual dividend basis, having been raised from $4.50 rate in 1952 and a $4 rate in 1951. In 1945, the stock was split 2-for-1. Atlantic Coast Line, which owns 35% of L. & N. stock, split its stock 3-for-1 earlier this year. In view of the close affiliation, it would not be surprising if L. & N. followed suit with another stock split.

MARKET ACTION: Recent price of 90½ compares with a 1954-55 price range of High—90½, Low—59¾. Though the stock has had a substantial advance, there is still room for long-term appreciation. At current prices, the yield is 5.5%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 53,338	$ 45,826	—$ 7,512
Receivables, Net	30,635	21,700	— 8,935
Materials & Supplies	12,462	15,406	+ 2,944
Other Assets	2,511	1,602	— 909
TOTAL CURRENT ASSETS	98,946	84,534	— 14,412
Road & Equipment	488,792	672,038	+ 183,246
Donations & Grants	(CR) 4,061	(CR) 4,539	+ 478
Deprec. & Amort.	(CR)145,004	(CR)172,700	+ 27,696
Investments & Funds	29,490	41,329	+ 11,839
Other Assets	4,721	7,741	+ 3,020
TOTAL ASSETS	$472,884	$628,403	+$155,519
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 50,474	$ 22,393	—$ 28,081
Other Liabilities	989	692	— 297
Unadjusted Credits	11,773	7,783	— 3,990
Long Term Debt	176,090	274,934	+ 98,844
Common Stock	117,012	117,012	......
Surplus	116,546	205,589	+ 89,043
TOTAL LIABILITIES	$472,884	$628,403	+$155,519
WORKING CAPITAL	$ 48,472	$ 62,141	+$ 13,669
CURRENT RATIO	1.9	3.8	+ 1.9

SOUTHERN PACIFIC CO.

AREA SERVED: Second largest of nation's carriers; most important of Pacific Coast routes; main transportation artery of Gulf Coast east to New Orleans; has important transcontinental connections and, also, access to Mississippi River gateways.

OUTLOOK: The principal revenues of this road are derived from California and Texas, whose rail transportation it dominates. The dynamic growth of the Pacific Coast in the post-war period and the enormous expansion of industrial activity in Texas have greatly widened the horizon for Southern Pacific. The company is unique among rails in that it conducts a complete surface transportation system, including trucking facilities. Use of trailer-flatcar equipment is successfully recapturing traffic from competing highway systems. A more than $400 million investment in capital assets in the past five years produced gains in modernization of practically all types of facilities, including substantial dieselization. While revenues from extensive land holdings are not large, relatively speaking, the potentials in these holdings, particularly those operated or leased as oil properties and those held in reserve, are an important adjunct to long-term earnings. With a 53% increase in the population of the 8 states served in the post-war period and rapid industrialization of new regions in the West served by the road, the longer-term outlook is very favorable. Earnings last year were much more stable, compared with the previous year, than was true of most roads. This was a satisfactory performance in a year which started rather poorly for business, as a whole. Earnings in 1954, after funds, were $5.34 a share, compared with $6.85 a share in 1953. Estimated earnings for 1955 are close to $7 a share.

DIVIDENDS: Payments are at the rate of $3 a share annually. Favored by a strong cash position and substantially higher earnings, a higher dividend rate could be supported.

MARKET ACTION: Recent price of 62, compares with 1954-55 price range of High—65⅛, Low—51. At current prices with a yield of approximately 5%, the stock seems undervalued in comparison with similar grade rails.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$141,816	$125,728	—$ 16,088
Receivables, Net	84,195	54,517	— 29,678
Materials & Supplies	32,713	33,799	— 9,914
Other Current Assets	1,045	687	— 358
TOTAL CURRENT ASSETS	259,769	203,731	— 56,038
Road & Equipment	1,518,431	1,974,967	+ 456,536
Donations & Grants	(CR) 20,047	(CR) 41,425	+ 21,378
Deprec. & Amort.	(CR)271,075	(CR)362,214	+ 91,139
Investments & Funds	283,701	265,070	— 18,631
Reserve for Adjt. Securities	(CR)139,350	(CR) 91,234	— 48,116
Other Assets	54,513	36,817	— 17,696
TOTAL ASSETS	$1,685,942	$1,985,712	+$299,770
LIABILITIES			
TOTAL CURRENT LIABILITIES	$147,555	$102,826	—$ 44,729
Other Liabilities	57,556	73,643	+ 16,087
Unadjusted Credits	59,448	43,385	— 16,063
Long Term Debt	534,485	603,803	+ 69,318
Common Stock	383,583	424,875	+ 41,292
Surplus	503,315	737,180	+ 233,865
TOTAL LIABILITIES	$1,685,942	$1,985,712	+$299,770
WORKING CAPITAL	$112,214	$100,905	—$ 11,309
CURRENT RATIO	1.7	2.0	+ .3

Stocks with lower earnings

By J. C. CLIFFORD

While stockholders feel cheerful about the rise in corporate earnings this year, it is a fact that a number of companies either have actually fallen behind in their profits, as compared with recent years, or have failed to increase them. In either case, it is a depressant influence on stockholders. Naturally, when companies turn in a relatively negative performance in a period of general prosperity, it is a matter of concern to the holders of the securities. Furthermore, since the ability to maintain dividends may become impaired through lower earnings when a definite trend in this direction has been established, stockholders are faced with a possible loss of income. It goes without saying, of course, that in such instances or where earnings have not been able to rise out of a rut, increases in dividends are not to be expected. For this, the investor must look to more successful companies. Under these circumstances, investors who may be holding securities thus affected find it necessary to review their portfolio holdings with a view to replacement.

While a decline in earnings in a period of general activity in business or inability on the part of companies to raise profits to satisfactory levels, is generally a sign that the stocks thus affected are likely to remain in an unproductive stage marketwise for a considerable period marketwise, it by no means follows that each and every such instance is to be regarded as an infallible signal of investment unworthiness. Some companies, due to special circumstances related to unexpectedly heavy expenditures for improvements and additions, or which have the bad luck to experience a prolonged strike, may encounter an earnings snag temporarily but these are likely to rebound when problems have been solved.

On the other hand, a generally downward tendency in earnings over a prolonged period, particularly when other companies in the same industry are showing up well in the profit column, is significant and should be taken seriously by investors. For such a performance indicates internal weakness, either as to the quality of the management, the financial position, or the competitive position of the company which may indicate that its rivals are outdistancing it, both in sales and profits.

We make this point because it is obvious that stocks representing companies in a dubious fundamental position have little claim to merit from either the investment or speculative standpoint. If a substantial portion of an investor's funds should happen to be tied up in such issues, especially in a rising stock market, the loss may be appreciable in both time and money. In any case, opportunities in better situated stocks will have largely been forfeited.

In the accompanying table, we have listed a number of stocks where earnings either have not been outstanding in this year of prosperity or which have as yet failed to reverse a down-trend, established for several years or more. Inclusion of a stock in this list does not necessarily signify an unfavorable opinion of its future. In fact, several desirable issues, such as Westinghouse Electric, as an investment, and Rheem Manufacturing as a speculation, are found in the list as examples of sound companies which have had a temporary setback in earnings. Both companies are expected shortly to recover in earnings and, no doubt, their normal position as worthwhile issues restored in the public estimation.

On the other hand, this list includes some companies which have had a poor record in recent years and which apparently give no sign of change for the better. According to this record, it would seem

that funds could be invested elsewhere to better advantage.

Aside from the specific information afforded in the table, this survey may be of some value in illustrating for investors the necessity of keeping close watch on their companies' earnings trend. This is important not only as a guide to future dividend action, but as an indication of market potentials.

In a prolonged rising market, stocks whose earnings trend is unsatisfactory are generally neglected in favor of those with a sharp incline to their profits. This direct relationship between earnings trend and market action should not be ignored.

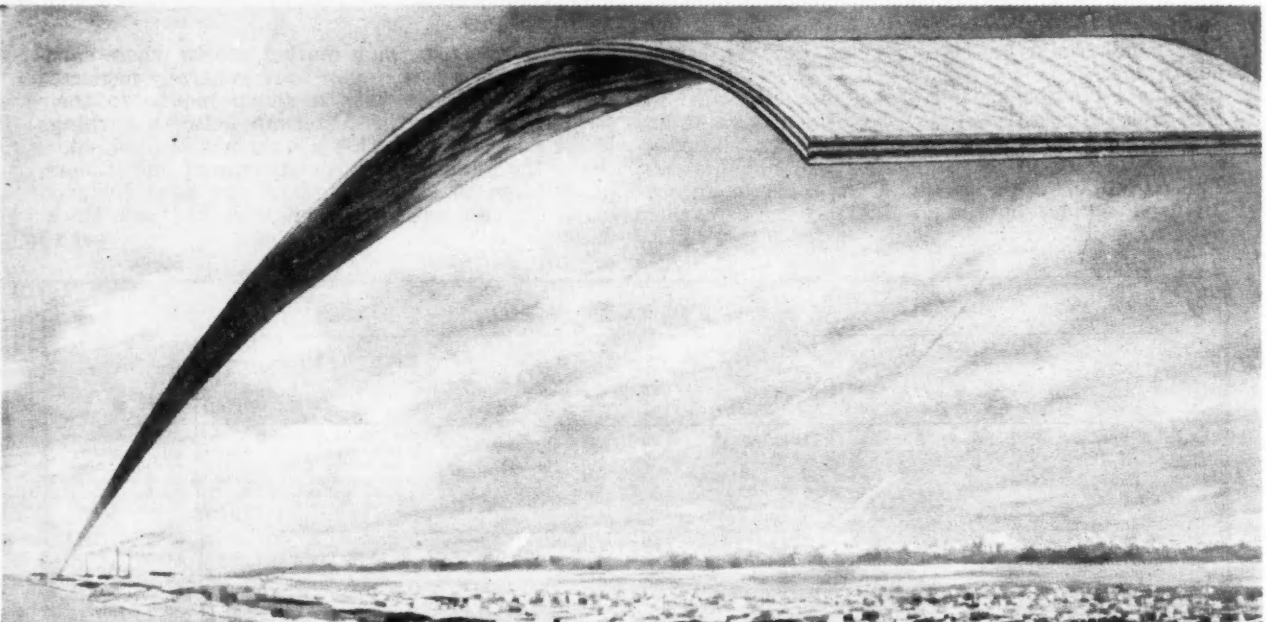
For the guidance and convenience of our readers, in addition to statistical data, we have included brief, though pertinent, comment on each stock.

—END

Stocks With Lower Earnings

	1954 Earnings Per Share	1954 Div. Per Share	1st Half Earnings Per Share 1954	1st Half Earnings Per Share 1955	Indicated Div. 1955	Price Range 1954-1955	Recent Price	Div. Yield	COMMENTS
Admiral Corp.	$2.78	$1.00	$1.09	$ .82	$1.00	30¼-18¼	23	4.3%	ADMIRAL CORP.: Sales declined 12% in first half 1955, partly reflecting cut in military production. Despite severe competition, company raised television prices to meet higher costs. 1955 earnings should approximate $2.25 vs. $2.78 per share in 1954. Substantial improvement not in sight.
Bliss (E. W.) Co.	4.01	1.45	2.03	1.01	1.60	33⅝-14⅝	28	5.7	BLISS (E. W.) CO.: Completion of contracts, shifting production, starting-up plant costs and other non-recurring expenses adversely affected first half earnings. Full year profits may decline to $2.50-$3.00 per share. Dividends can be maintained at $.40 quarterly.
Crown Cork & Seal	.72	.45	.61	.48	.20[3]	19½-11	18	1.1	CROWN CORK & SEAL: Profit margins have deteriorated because of the unprofitable can division. Reorganization of plants and operations should reverse earnings downtrend in recent years but will take time. Dividends omitted in first half. Early resumption not likely.
Foster Wheeler Corp.	6.16	.70	4.24	1.53	1.60	50 -19	34	4.7	FOSTER WHEELER: With keen competition and heavy overhead costs, first half billings declined 56%. Earnings dropped from $4.24 to $1.53 per share in this period indicating a sizable decline for the full year, from $6.16 of 1954. Erratic earnings should not prevent continuation of 40¢ dividend.
General Precision Equipment	5.54	1.90	3.37	1.95	2.40	71½-25	45	5.3	GENERAL PRECISION EQUIPMENT: Decline in first 6 months largely due to lower profit margins and substantial reduction in volume, especially in motion picture division. Also certain plants were operating below sufficient capacity. However, additional contracts now received expected to improve operations in second half. Company has good long-term outlook.
Monarch Machine Tool	3.16	1.50	2.37	(d) .68	1.20	27⅛-16¾	21	5.7	MONARCH MACHINE TOOL: Involved in a 10 week strike, causing largest 6 months loss in its history, shipments declined over 75% in first half 1955. Incoming business, however, continued at active pace with backlog at a high level. $.30 quarterly dividend probably will not be disturbed.
Rheem Mfg. Co.	3.67	2.30	2.03	1.89	2.40	45¾-25⅝	36	6.6	RHEEM MANUFACTURING: Declining military business, which recently amounted to 40% of total volume largely responsible for 10% drop in 6 months sales. With emphasis on commercial products which increased $10.4 million in the same period, favorable long term prospects are indicated.
Safeway Stores	3.47	2.40	1.71	1.29	2.40	49¼-38¼	47	5.1	SAFEWAY STORES: Despite record sales, narrower margins prevailed in first half, reflecting the competitive price battle, a month strike in N. Y. area, trading stamp rivalry and a mark-down of coffee inventories. A better trend should develop and dividends continue at 60¢ quarterly.
Trane Co.	2.84	.75	1.43	1.13	1.00	59½-18½	50	2.0	TRANE CO.: Manufacturer of air conditioning and heating equipment. Largely because of generally unfavorable trade conditions, inventory problems and severe competition, first half earnings declined 22% on slightly increased sales. Immediate earnings recovery uncertain.
Wesson Oil & Snowdrift	4.79	2.40	3.03[2]	1.79[2]	1.40	43½-24⅛	38	3.7	WESSON OIL & SNOWDRIFT: Leading producer of cottonseed oil, affected during first 6 months by volatility of vegetable oil prices, and aggravated by reluctance of buyers. Volume dropped 6% and profits 40%. More stability through recent diversification in by-products. Last year's extra not likely to be repeated.
Westinghouse Electric	5.06	2.50	2.75	1.73	2.50	83¼-50⅛	65	3.8	WESTINGHOUSE ELECTRIC: Lower billings and new facility expenses instrumental in most of 6 months dip in earnings. Other problems and full effects of price competition may retard company's profit recovery until early 1956. This temporary setback does not obscure company's impressive long-term outlook.

(d) Deficit.
[1] 36 weeks ended May 7.
[2] 9 months ended May 28.
[3] Paid thus far this year.



STEADY EXPANSION IN PLYWOOD INDUSTRY

By JOHN D. C. WELDON

Most investors, if they have thought about plywood at all, have regarded it as an inexpensive material to finish off the attic for Junior or as a decorative material for the living-room fireplace. And they can hardly be blamed, for plywood, although it now is marking its golden anniversary, has come in the past 15 years from a piddling business to its present-day billion-dollar stature. Few industries, if any, have moved so far, so fast. The momentum, lacking in the first 35 years of its existence as an industry in this country, was provided by the shortages of lumber in World War II and the building boom that emerged in the post-war decade.

Plywood, to be sure, was in existence before 1905 and even before the discovery of America. Archeologists have turned up traces of laminated wood in the tombs of the Egyptian Pharaohs. The Chinese "shaved" wood and glued it together a thousand years ago and used this to make such items as furniture. The French worked wood on the general principle of plywood 200 years ago. And the Russians can (and have) claim to have made plywood before the Americans. The first patent involving plywood, issued around the end of the War between the States, describes the development thusly: "The invention consists in cementing or otherwise fastening together a number of these scales or sheets, with the grain of the successive pieces, or some of them, running crosswise or diversely from that of the others . . ."

Growth of plywood as an industry in this country, however, dates from 1905, when the Lewis & Clark Centennial Fair at Portland, Ore., gave enterprising Westerners their first chance to show off Douglas fir plywood (many still call it Oregon pine) to hundreds of thousands of visitors. Its progress, accelerated by war shortages and a building boom, is highlighted by these sample statistics: U. S. Plywood, giant of the industry, now does an annual volume of $200 million, against a mere $6.5 million in pre-war 1940, Atlas Plywood has burgeoned to $40 million from a "handle" of less than $5 million over the same span and Georgia-Pacific Plywood has soared to around an $85 million annual pace from little more than $2 million.

Expanding Use of Product

The golden jubilee of the industry should also serve as a timely reminder to investors that not all of the intervening years have been golden. In the period preceding World War I, the industry was an adjunct to door manufacture (which continues to be a substantial business), moved into aircraft in that war and went on from there to make the first fumbling attempts at broad commercial application. Automotive manufacturers used plywood for running boards and floor boards. Other markets developed in such varied industries as railway rolling stock, building and boating. During World War II, plywood plants turned out many items not available from any other source. These included plywood

tubing, molded plywood for PT boats, molded airplane parts and many other plywood items.

In the building boom that developed in post-war years, plywood became a strong competitor of lumber and continues to gain, although lumber, of course, still gets the lion's share of the business. But a measure of plywood's progress may be gathered from the fact that production is up about threefold in the last decade, compared with a rise of only 22% for lumber. For the first five months of this year, total lumber shipments were but 6% ahead of 1954, while production of fir plywood was up 21%. Price-cutting in plywood, to cite another factor, has narrowed the differential with lumber and as this gap narrows, plywood's competitive position improves.

Investors seeking a stake in this rapidly mushrooming business should realize that many of the companies that are factors in the field do not derive the bulk of their revenues from plywood, while many of the companies that are plywood giants have other interests that are considerable. Thus, U. S. Plywood, kingpin of the industry, markets the decorative Micarta, laminated plastic for table tops, work surfaces, bars and walls. Indeed, sales of soft and hardwood plywood constitute but 55% to 60% of its sales, with the balance highly diversified.

Softwood and Hardwood

Plywood is a term used to describe combinations of thin sheets of wood bonded by a variety of adhesive agents, with the grain direction of each ply at right angles to that of the adjacent one. This construction provides increased strength by overcoming the inherent tendency of lumber to expand to a greater extent across the grain than with it. It also makes possible the manufacture of panels of large size. Plywood is made of softwoods and hardwoods.

Most softwood plywood is made from wood native to the area where plywood is produced. Douglas fir, which abounds along the western slope of the Cascade Mountains in the Pacific Northwest, is the principal source of softwood plywood, accounting for 95% of domestic output, although redwood, spruce, cedar, pine and hemlock also are employed. Douglas fir plywood is known as the workhorse of the industry, in demand for low-cost construction and other situations where price is a major factor. Hardwood plywood is a much older product, but as an industry the growth of the over-all field dates from the emergence of softwood at the Oregon fair of 1905. Hardwood (it could be mahogany, walnut, oak and the like) is used where beauty of product is paramount and cost a smaller consideration. In addition, there are the specialties, such as pre-finished hardwood.

Plywood is used in tremendous quantities by the building industry for siding, sheathing, sub-flooring, roof decking, paneling, cabinets and partitions. In addition to its uses in new construction, plywood is popular for alteration and renovation jobs, a market that is expected to become increasingly important to the industry. There are literally a thousand uses for plywood. Of the total production, roughly half goes into new-home building, 20% to 25% is consumed for industrial uses (packing cases, outdoor signs, railway boxcars and the like), 15% for remodeling and repair of dwellings and the balance is miscellaneous. The topnotch companies in the field carry on farflung research programs that have paid off in new products, improvement of existing products and increased use of plywood.

Increased production facilities and larger imports have contributed in recent years to a rather wide variance in softwood plywood prices. These price movements have been magnified at times by national crises and labor unrest. Prices were in a downtrend in September as home-building declined. The number of mills has grown rapidly in the post-war decade, from 33 at the end of 1946 to well over a hundred by last estimates. With good timber reserves increasingly difficult to acquire, a definite trend now seems established toward concentration of productive facilities in strong hands, which should result in a more stable price structure for the industry.

Giant Of the Industry

A prime beneficiary of this trend should be *U. S.* Plywood, kingpin of the (*Please turn to page* 46)

7 Leaders In The Plywood Industry

	1954			1st 6 Months 1955					
	Net Sales (Millions)	Earnings Per Share	Div. Per Share	Net Sales (Millions)	Earnings Per Share	Indicated Full-Year Div. Per Share	Price Range 1954-1955	Recent Price	Div. Yield
Atlas Plywood	$ 36.3	$ .27	$ ——	$ 39.8	$ .45[2]	$ .15	13¼- 7¾	12	1.2%
Georgia-Pacific Plywood	64.2	1.54	.25	41.9	2.54	1.00[3]	41¼-10¼	40	2.5
Long Bell Lumber Corp. "A"	1.0[1]	1.55[1]	1.52	.4[1]	.79[1]	1.52	38⅞-22½	38	4.0
M. & M. Wood Working Co.	38.1	1.71	.35	11.4[4]	.68[4]	.70	17⅝- 8	17	4.1
Masonite Co.	45.2	2.67	1.00	38.3[5]	2.66[5]	1.50[3]	33¼-16¾	29	5.1
Mengel Co.*	38.6	1.65	1.00	21.6	1.31	1.00	46 -11¾	33	3.0
U. S. Plywood	150.5	3.52	1.40	49.0[6]	1.24[6]	1.70	44 -24	43	3.9

* Container Corp. of America controls 63% of Mengel Co., common stock.

1—Dividend Income; Owns 51% Long Bell Lumber of Mo.
2—Year ended June 30, 1955.
3—Plus stock.
4—1st fiscal quarter ended May 30.
5—9 months ended May 31.
6—Quarter ended July 31.

A Study in SPECTACULAR EXPANSION

By W. A. HODGES

"New record highs in sales, operating profits and net income were achieved by Food Fair Stores, Inc."

This is an excerpt from a Food Fair report covering operations for the 40 weeks ended February 5, 1955. To owners of the company's stock that and similar statements emanating from Food Fair headquarters in Philadelphia is "old stuff". Much the same thing has been said in practically every year of the postwar period and bears repeating with reference to the latest sales and earnings reports. For instance, when revealing results of operations for the fiscal year ended last April 30, Food Fair was able to tell its shareowners that all previous company records were surpassed in that period.

In the 12 months covered by the report Food Fair scored a 27 percent increase in net income on an 18 percent gain in sales. Volume for the year went above \$410 million. This was \$61.8 million higher than the previous record high sales of \$348.2 million achieved the year before.

Rising to Higher Pinnacles

The trend is still upward. In the three months to last July 23, the first quarter of its current fiscal year, Food Fair's sales and earnings surpassed all previous records. The phraseology becomes almost redundant but the continued climb in sales and earnings figures, interesting and pleasant reading for those who own the company's common stock, justify its continued employment. Sales for the three months exceeded any previous quarter, going above \$100 million. This was a 12.6 percent gain over the \$88.8 million sales volume for the corresponding months of last year and produced net income of \$1,936,988, the equivalent of 68 cents per common share. In the like period a year ago, net income of slightly more than \$1.8 million was equal to 58 cents a share on the basis of 2,986,931 common shares outstanding as of July 23, 1955.

For the fiscal year ended last April, net income of slightly more than \$7 million applicable to the common stock was equal to \$2.37 a share. This is after allowing for preferred dividends, extraordinary expenditures relating to the opening of a number of new markets, as well as a non-recurring charge of \$589,000 in connection with the redemption of the entire issue of 4% debentures. A development of particular significance in fiscal 1954-55 operations was the increase in net income to 1.8 percent of dollar sales from 1.6 percent for the preceding year. This higher rate of earnings on dollar sales volume furnishes strong testimony to the close control ex-

ercised over operating costs and the attainment of greater efficiency in merchandising methods. The gain in net profit margin becomes more pronounced when it is remembered that the substantial initial expenses entailed in the opening of new markets are not immediately offset by the benefits from this store expansion.

A Striking Growth Record

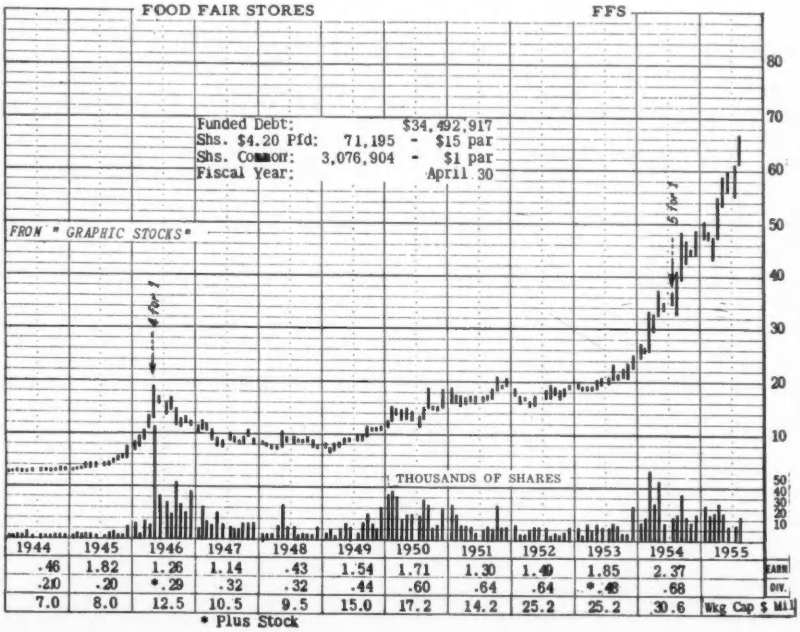
During the last fiscal year, Food Fair opened 20 large modern supermarkets. It brought its total number of outlets as of April 30, 1955, to 216 which is in sharp contrast to 113 units making up the chain only five years earlier. In sharper contrast is the uninterrupted climb in sales volume to where in the three months to July 23, of this year, a sales volume of a little more than $100 million was just short of matching total sales for the 1946 calendar year when the chain consisted of 89 markets. Since the beginning of the current fiscal year four more supermarkets have been added to the chain bringing it to 220 modern supermarkets located in seven states from Connecticut to Florida. Considering the steady expansion in both the number of Food Fair markets and sales volume, there can be no dissent to the statement that the company has the most striking growth record of the leading chain food stores during the last 10 years. In 1950 it was ranked among the nation's top 20 retailers. It now stands fourteenth in size among all retail organizations and is currently the seventh largest retail food organization in the country. Among this latter group it is also distinguished by its top ranking position from the standpoint of high average sales, approximating $2 million per store in the 1954-55 fiscal year.

On the basis of new markets opened and sales expansion, Food Fair continued to live up to its reputation as the fastest growing of the nation's major retail food organizations. Current expansion plans hold promise that rate of growth will be maintained at a fast pace during the next two years. Under the program recently formulated, Food Fair expects to construct at least 96 new supermarkets between now and April 30, 1957. With the new additions, it will then be operating well over 300 stores and expects its annual rate of sales to be in the neighborhood of $650 million.

Comparative Balance Sheet Items

ASSETS	December 28 1946	April 30 1955 (000 omitted)	Change
Cash & Market Securities	$ 3.517	$ 21.549	+$ 18.032
Receivables, Net	.494	2.649	+ 2.155
Inventories	9.306	21.844	+ 12.538
Other Current Assets	.055	.634	+ .579
TOTAL CURRENT ASSETS	13.372	46.676	+ 33.304
Net Property	4.283	38.560	+ 34.277
Investments	....	1.337	+ 1.337
Other Assets	.908	1.570	+ .662
TOTAL ASSETS	$ 18.563	$ 88.143	+$ 69.580
LIABILITIES			
Accounts Payable	$ 1.919	$ 6.713	+$ 4.794
Accruals	.882	4.356	+ 3.474
Tax Reserve	2.284	4.877	+ 2.593
Other Current Liabilities	.197	.078	— .119
TOTAL CURRENT LIABILITIES	5.282	16.024	+ 10.742
Long Term Debt	3.175	32.554	+ 29.379
Preferred Stock	.705	7.039	+ 6.334
Common Stock	.387	3.447	+ 20.065
Surplus	9.014	29.079	+ 20.065
TOTAL LIABILITIES	$ 18.563	$ 88.143	+$ 69.580
WORKING CAPITAL	$ 8.090	$ 30.652	+$ 22.562
CURRENT RATIO	2.5	2.8	+ .3

These proposed new markets, incorporating the latest design features, providing the shopper with comfort and attractive surroundings, like those opened by Food Fair in recent years, will be located in areas of growing population. Many of them will be located in shopping centers to meet increasing consumer demand for quicker, easier, one-stop shopping. The trend toward this type of supermarket is being speeded-up by the unprecedented flow of population to suburban areas and the increasing dependence by shoppers on the automobile as a shopping adjunct. This latter trend, incidentally, has already changed the patterns in many fields, but in none to such an extent as in the retail food business. As a matter of fact, the development of the food supermarket has also had a heavy impact on the entire food processing industry and in retailing of merchandise and commodities other than foodstuffs. The food supermarket has become the focal point of something new in retailing. This is the shopping center where the housewife, and for that matter, the entire family, can park the automobile and purchase food, household needs, clothes, and many other necessities, and do it all in one stop.



* Plus Stock

Food Fair Properties, Inc.

Included in Food Fair's expansion plans was the development and operation of large shopping

centers. These would be of the "regional" type as distinguished from the smaller "strip" center and the slightly larger "intermediate" center, and embody facilities for Food Fair supermarkets as well as space to be leased to other merchants. The first of such "regional" type centers is planned for Miami, Fla., on a 48-acre site, and another near Reading, Pa., on approximately 45 acres. Land for both these developments were purchased some time ago.

As the extent of the "regional" shopping center enterprise became manifest, however, Food Fair concluded that it would be inadvisable for a company, whose principal activities are the retail distribution of food and the operation of supermarkets, to engage directly in real estate operations of such magnitude. Out of this thinking, Food Fair, which almost a quarter of a century ago pioneered in the operation of self-service supermarkets, has come the decision to carry the "revolution" in food retailing through another logical step. For the first time, a company conceived and initiated by a major food chain, will engage in a large-scale plan to develop and operate shopping centers. Under the corporate title, Food Fair Properties, Inc., the new company, largely financed by an issue of 5½% debentures to which Food Fair Stores stockholders were given preferential rights to subscribe, and in which Food Fair Stores will have a substantial investment, is designed to invest in properties, particularly land tracts at locations deemed advantageous for construction of fully planned and coordinated shopping centers. The existence of the new company will not restrict Food Fair Stores developing and financing locations independently of Food Fair Properties. One of the first ventures of the development company, however, will be the construction of a shopping center on the Miami, Fla., tract of approximately 48½ acres owned by Food Fair Stores, title to which will pass to a wholly-owned subsidiary of "Properties, Inc." Present plans call for the development of this entire tract which ultimately will contain an aggregate building floor area of some 530,000 square feet, and a parking area with an initial capacity of 4,000 automobiles. Leases for space in this shopping center have already been executed with 24 tenants for terms ranging from 10 to 35 years, exclusive of renewal options. Construction has been started and it is expected that about 422,000 square feet of building floor space will be ready for occupancy by next August. The second venture is expected to be the development of the Berks County, Pa., tract, title to which will be vested in a Food Fair Properties' wholly-owned subsidiary. It is proposed to develop this entire tract in the same general manner as the new Miami shopping center and that before the end of 1957 the entire shopping center comprising aggregate building floor space of 250,000 square feet, and approximately 750,000 square feet of parking space will be opened. Food Fair Stores is already operating a supermarket and a parking lot on close to three acres in the area. An adjoining site of 37 acres is owned by Sears, Roebuck & Co., which has agreed in writing to erect on its premises a department store, a farm store, and service station, having an aggregate of 70,000 square feet to be completed, barring contingencies beyond control, by February, 1957.

The Importance of Intangibles

Thus, Food Fair Stores, in creating a shopping center development company, again moves forward in the retail food business, the biggest of any. Retail food sales for 1954 were at a record high of $41 billion six hundred million. This represents a gain of 2.1%, or $800 million over the previous record high established in 1953, the greater portion of the increase being attributable to gains made by modern, self-service supermarkets. As a measure of Food Fair Stores' 1954-55 gains, compare the 2½% increase for the entire retail food business last year with the approximately 18% gain which Food Fair scored in fiscal 1955 over the preceding year.

The phenomenal growth of Food Fair is apparent in the number of supermarkets making up its chain and the steady expansion in sales volume which is rapidly moving up toward the half billion dollar mark. Considering its growth from two supermarkets in 1933 to 220 today Food Fair has well earned the title "America's fastest growing food chain." A factor contributing to its uninterrupted expansion has been its freedom from the burdensome and expensive problem of converting a large number of antiquated (*Please turn to page* 49)

Long Term Operating and Earnings Record

	Net Sales (Millions)	Operating Income (Millions)	Operating Margin	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range High Low
1955*	$410.0	$ 16.3	4.0%	$ 7.8	$ 7.3	1.8%	$2.37[1,2]	$ .90[3]	18.8%	67 -43⅜
1954*	348.2	13.1	3.7	6.9	5.8	1.6	1.85[1]	.80[3]	17.1	48½-24¼
1953*	292.6	10.3	3.5	5.5	4.5	1.5	1.86	.60[3]	14.8	31⅞-22¾
1952*	259.5	8.8	3.4	4.8	3.8	1.4	1.62	.80[3]	13.6	24½-19½
1951*	205.6	9.8	4.7	5.1	4.7	2.2	2.14	.80[3]	17.6	25⅝-19¾
1950*	164.6	6.7	4.0	2.5	4.0	2.4	2.11	.75[3]	22.6	23¼-14⅝
1949 (17 Weeks to April 30)**	50.3	1.4	2.9	.6	1.0	2.0	.54	.55	....[5]	14⅝- 8⅞
1948†	142.0	4.5	3.1	1.7	2.7	1.9	1.42	.40[3]	19.8	12½- 9⅛
1947†	121.7	4.7	3.9	1.8	2.8	2.3	1.58	.40[3]	24.8	15¾- 8¾
1946†	101.2	5.9	5.9	2.3	3.6	3.5	2.27	.40[3]	36.0	23⅞- 8⅜

* Years ended approx. April. 30.
† Years ended December 31.
** Fiscal year changed from Dec. 31 to April 30.

1 Adjusted for 25% Stock Div. Aug. 1954.
2 Indicated 1955 dividend.
3 Plus stock.

4 To Sept. 8, 1955.
5 Full year 1949 price range.

THE EDITORS'

INVESTMENT CLINIC

Case No. 9

Prescription for Investment Inertia

If over-optimism or excessive pessimism are common faults of investors, inertia is also their enemy. Of the three, probably more harm is done by the latter. Over-optimism or too great a degree of pessimism can be corrected in time by appropriate action, but failure to act at all can be disastrous. In fact, it negates the basic principle of investment which is to actively supervise what has been invested, and to make changes as called for by changing conditions.

In examining the portfolios of investors, we are struck with the frequency with which commitments are maintained for indefinite periods despite the obvious fact that the conditions which may have originally warranted the investment no longer prevail. Such inertia can prove very costly. There are many forms of investment inertia, which will be described below.

Strange as it may seem, many investors develop a partiality for the stocks they own, even when they have proved to be unsatisfactory holdings, presumably on the principle that men like what is familiar to them. Or, perhaps, they hesitate to make changes, even when obviously required, for fear that any substitution for unworthy securities may land them in even worse difficulties.

Some investors will hold on to inordinately large amounts of cash, not because they don't want to invest these funds but simply because they lack the confidence with which to make the move. Thus, they do nothing, and for long periods, even years, they will allow these funds to stagnate, without any return whatever, either in the form of income or appreciation.

Other types of investors will invest only in public utility stocks. There is nothing wrong in this, of course, as these issues are among the most stable, but too large a concentration of funds in such stocks deprives the investor of participating in the more dynamic issues, in which the largest stock market profits have accrued in the post-war period.

Other investors will not buy stocks selling over $25 a share, so that they may have the satisfaction of holding a large number of shares in an individual company. Yet, on the whole, the record of low-priced stocks has not been too satisfactory in recent years in a comparison with higher-priced issues.

Other investors make a serious effort at diversification but spread themselves too thin. This makes supervision of the portfolio rather difficult. However, these investors will not forego this penchant, as they seem to derive an especial pleasure from holding a great many different stocks, whether they fit into the plan or not.

To go from one extreme to another is, of course, not desirable in investment as in other matters. It would not do for the sluggish investor to turn suddenly and embark on a highly active career in the market. Each investor should study his own temperament and psychological pattern and not attempt to do what is not natural for him to do.

We are convinced that most investors adhere to a pattern of inertia for failure to perform one simple duty and that is to keep records, accurate records of his security transactions. It is amazing that so many investors fail in this most essential task.

The value of keeping records and keeping them up to date in the most meticulous fashion is not merely for the sake of keeping records but as a *reminder* of the exact position of the investor in every detail, as to income received from each security and as to position with respect to profit and loss. It is very much like the chart the physician refers to in examining his patient. Every significant change in the chart is a signal that the physician must note carefully to be effective in his treatment.

The position of the investor is precisely the same. He himself must act as the physician in charge or get some qualified person to do it for him. To neglect the symptoms shown in the investment thermometer is to invite trouble later on.

We are convinced that if investors will take the trouble of keeping accurate records, they will find themselves in a better position to watch over their investments.—END

FOR

PROFIT

AND

INCOME

"The Dow"

How's the market? Well, at this writing, the Dow industrial average is up 19.4% since the end of 1954. The average is made up of prominent stocks, most of which, despite exceptions, have performed better on the year to date than has the general run of secondary stocks. A few among the 30 issues in the average have lost some ground or gained none in 1955 to date. Examples are American Can, Johns-Manville, National Distillers, Westinghouse Electric and Woolworth. The following have risen a good deal less than the average: Allied Chemical, American Telephone (a utility which does not belong in an industrial average anyway), Corn Products, General Foods, International Harvester, Procter & Gamble, and United Aircraft. Those which have risen about in line with the average—a little more or a little less—are American Smelting, American Tobacco, General Electric, Goodyear Tire, and Standard Oil of California.

Winners

The big gainers largely responsible for pushing the average to a new all time peak and their approximate 1955 percentage rises up to this writing are: Bethlehem Steel 48%, Chrysler 25%, duPont 38%, General Motors 41%, International Nickel 42%, Sears, Roebuck 39%, Standard Oil (New Jersey) 27%, Texas Company 28%, Union Carbide 31% and U. S. Steel 62%—the latter topping the other Dow industrials by a wide margin. It is trite but true to repeat that this is, and will remain, a highly selective "market of stocks". That's the answer to "How's the market?"

Stock Groups

At this writing, stock groups showing special strength are aluminum, automobiles (mainly General Motors), auto parts, chemicals, coal, metal fabricating, office machines, oils, paper, retail stocks, tobacco, rayon and steel. Currently lagging—in some cases in technical correction of large prior rise—are: air lines, aircraft, distillers, coppers, drugs, baking, electrical equipment, finance companies, dairy products, meat packers, gold mining, machinery, radio-television, shipbuilding, shipping, sugar, sulphur, textiles, and motion picture stocks. Thus, recent further rise in the averages has been accounted for by a minority of stock groups and a minority of individual stocks.

Uranium

The speculative uranium boom might be a bust earlier than some people dreamed possible. In any event, the stocks are mostly well down from their highs; and probably have put the top behind. Here are the things that have jolted the market: announcement by the Canadian Government that it will not enter into any more special-price contracts to buy uranium after the end of next March; and the following uncertainties: (1) possibility that thorium may become a more economical nuclear fuel than uranium, (2) possibility that "breeder-type" reactors, producing more nuclear fuel than they consume, might be perfected, undermining the market for both uranium and thorium, and (3) possibility that the hydrogen-bomb fusion process might ultimately be used in reactors. That

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
Federated Department Stores	13 weeks July 30	$ .90	$ .65
Great Nor. Ry.	7 mos. July 31	2.27	1.61
St. Louis-San Francisco Rwy.	7 mos. July 31	2.33	.86
Western Union Telegraph	7 mos. July 31	1.36	.73
Marathon Corp.	9 mos. July 31	1.81	1.43
Marshall Field & Co.	Quar. July 31	.39	.27
Deere & Co.	9 mos. July 31	3.47	2.19
Lerner Stores Corp.	6 mos. July 31	.72	.52
Celotex Corp.	9 mos. July 31	3.50	1.95
Atlas Plywood Corp.	Year June 30	.45	.28

would radically change the outlook for development of civilian uses of nuclear energy. Hydrogen is a plentiful and inexpensive element. The buying contracts of the Atomic Energy Commission give established producers of uranium a guaranteed and profitable market for an extended period. But, in terms of market valuation of uranium earnings, "the bloom is off the rose" for the reasons heretofore cited. Moreover, there are some rumors that the Administration might decide to cut back or slow down the atomic-weapons buildup, in view of the present huge stockpile, the reduced risk of war and the belief that an atomic war would be decided by the force of the first assault, rather than by the volume of atomic weapons in reserve. If any such decision is made, the uranium boom will be further deflated. Much of the money poured into the stocks of obscure uranium promotion-exploration companies, which have no actual production, will never be recovered.

Steel Boom

The steel boom is running strong, with near-capacity operations assured through the end of the year at least; and with order booking indicating high volume also well into the forepart of 1956. It is still a cyclical industry, but both the expressed views and the expansion plans of managements of most leading companies indicate confidence in long-term prospects. This is in line with the general view of business chiefs and economists that recurrence of the deep depressions of the past can be avoided. This consensus takes into account the built-in cushions in the economy, the tendency toward "rolling" adjustments in individual industries while others remain active, the vigor of population growth and technological progress, and governmental power to moderate recession or boom via credit policy and otherwise. If correct—it appears to have considerable substance—steel stocks are less speculative than in earlier times. They are also less speculative on two other counts: (1) strongly improved finances, (2) much less dependence than formerly of steel demand on capital-goods activity, due to broad growth of the somewhat less unstable market for a wide range of consumer durable goods using steel, as compared with the 1920's.

Steel Stocks

Steel stocks have widely outgained the industrial list so far this year, and demand for them shows no significant abatement up to this writing. Full-year earnings will make an excellent showing both on a reported and a cash basis. Obviously, the stocks have become a good deal less cheap, but price-earnings ratios are mostly still within fairly moderate limits; and some further dividend boosts or year-end extras are no doubt ahead. In view of the major rise already seen, new buying of steels can not be confidently recommended; but basis cannot be cited for selling leading issues like U. S. Steel, Bethlehem, Inland, Armco, National, Republic or Youngstown.

Financing

The advanced level of the market is inviting more new common-stock financing than in a long time. This has been characteristic of the top areas of past bull markets, notably in 1929 and 1946. It increases shares available for purchase without bidding up and tends to sop up investible funds. Given an adequately firm general market condition, history will probably be made between now and the year end, according to current reports, by a huge offering of Ford Motor non-voting stock by the Ford Foundation. Judging by orders already placed with brokers, it will be largely over-subscribed. Since the Ford objective is wide public ownership of the shares, individual allotments will unquestionably be relatively small.

Insiders

In August, according to official reports, an officer of Borg-Warner bought 1,200 shares, increasing holdings to 5,760 shares; an officer of Goodrich bought 1,068 shares, boosting holdings to 4,062 shares; an officer of Gulf Oil bought 1,400 shares, making holdings 1,456 shares; an officer of Monsanto Chemical bought 4,000 shares, taking holdings to 5,950 shares, while another bought 36,000 shares, making total holdings 36,300 shares; and an officer of United Aircraft bought 5,000 shares, increasing holdings to 8,000. There was some August "insider" selling of the following stocks: J. I. Case (an inferior stock), Continental Can (a high-grade stock), the speculative Goebel Brewing, the speculative Spiegel, and the medium-grade Shamrock Oil & Gas.

Stocks

Individual stocks showing above-average strength in recent trading sessions up to this writing include: American Tobacco, Chesapeake & Ohio, Cities Service, Sun Oil, Texas Gulf Producing, General Motors, Standard Oil (New Jersey), Sears, Roebuck; Dayton Power & Light, Delaware & Hudson, Dow Chemical, Eastman Kodak, National Lead, U. S. Steel, Inland Steel, Gillette, Granby Mining, Magma Copper, Louisville & Nashville, Socony Mobil Oil, Sterling Drug, Beaunit Mills, American Metal Products, Boston Edison, Grand Union, Firestone Tire, Food Fair, Great Northern Railway, Hiram Walker and Mohawk Carpet.

Soft

Stocks showing currently unpromising action include Anderson Clayton, Barber Oil, Publicker Industries, Texas Instruments, Spear & Co., Thatcher Glass, Pet Milk, Hamilton Watch, Raytheon, Hoffman Electronics, Carrier Corp., General Time, Trane Co., Merck, Link Belt, Dixie Cup, United Air Lines and Westinghouse Electric. —END

DECREASES SHOWN IN RECENT EARNINGS REPORTS

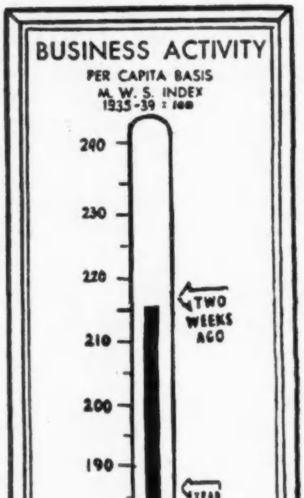
		1955	1954
American Cable & Radio	6 mos. June 30	$ .12	$ .26
National Can Corp.	6 mos. June 30	.06	.21
Lockheed Aircraft	6 mos. July 31	3.21	3.85
Allied Mills	Year June 30	3.58	4.07
Bangor & Aroostook R.R.	7 mos. July 31	3.95	4.44
Chicago Yellow Cab Co.	Quar. June 30	.15	.35
Chickasha Cotton Oil	Year June 30	1.35	2.31
Spencer Chemical Co.	Year June 30	4.04	4.53
Ryan Aeronautical	9 mos. July 31	2.90	4.26
Consolidated Foods Corp.	Year June 30	1.69	2.22

The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A.

Expenditures by industry for new plant and equipment this year are expected to reach $27.9 billion, a rise of 4% from 1954 outlays and only 1% under the all-time high of $28.3 billion spent in 1953. The railroad industry has undertaken a major upward revision in its spending plans to make a substantial contribution to the swelling total. Carriers now are estimating they will spend 20% more on plant and equipment than they had planned early this year, an increase that reflects the sharply improved net profits and traffic situation in that field. In this connection, a top railroad official has calculated that the industry will spend on the order of $20 billion for capital improvements over the next decade.



Of the $27.9 billion that will be spent this year by industry over-all, $11.2 billion of the total will come from manufacturing companies. This is a slight increase from 1954 but 6% below peak 1953. Expenditures by durable-goods industries for 1955 are scheduled at 5% above 1954 with non-durable goods companies anticipating a 2% decrease. Strength is in general evidence in the durable-goods segment. The iron and steel industry is planning expenditures for this year 15% above 1954. Expansion plans of this industry (to be financed, in large measure, by higher selling prices) were highlighted last month by the announcement that Republic Steel would spend $130 million to boost its capacity by 16%. On the automotive front, Chrysler Corp. is spending $175 million to develop its 1956 line of cars. This is on top of the $250 million invested last year by the company in its 1955 models.

Among non-durable goods producers, the food, textile, paper and rubber companies all have increased their programs for this year over what they had originally planned. By and large, this has been a banner year for the companies in those industries, which already have spent mammoth sums for new plant and machinery, but competitive pressures and the rising demand for their products are piling new increases on old ones.

On the other hand, the chemical industry, in the latest Government figures, shows a downward revision of 7% and now is expecting lower outlays than last year. The booming petroleum industry has made some slight reduction in its plans but still expects to spend this year about the same record amount as in the last few years — on the order of $2.7 billion.

All in all, a new peak in expenditures for plant and equipment should be attained in the final quarter of this year, taking into account seasonal differences. Actual expenditures contemplated for this quarter, without adjustment, may total $7.3 billion. This compares with $7.7 billion in the preceding quarter and $7 billion in the like three months of last year. Thus, capital expenditures, which went into a decline after the peak attained in the third quarter of 1953, are tending upward once more.

Industrial production in August was at an all-time high (seasonally adjusted). Spending for new construction in August was about the same as in July and slightly lower than in the spring. Value of contracts awarded dropped off as usual in August and was almost one-fifth below the spring peak. But it remained one-fifth larger than in August, 1954. Output of non-durable goods remained steady while durables rose. Prices of industrial commodities also continued to rise.

While the volume of new expenditures for plant and equipment has shown no signs of diminuition, it is quite possible that the trend may reverse itself moderately in the early part of 1956. Factors that can bring this about are the higher cost of credit which can affect the volume of new financing for capital construction purposes; and the strong probability that many industries are now approaching a temporary saturation point with respect to new capacity.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Recent moves by the monetary authorities are still aimed at stricter credit controls. At least that is the conclusion furnished by the latest example, the Federal Home Loan Bank Board's admonition to its members to make loans only from new savings and repayments rather than by borrowing from the parent. Although reversal of current credit policy appears nowhere in sight, still the markets for fixed income securities have been firming up of late and underwriters have been pleasantly surprised by the underlying demand for new issues. The improvement was exemplified by the success of the CIT Financial Corporation's mid-September offering of $100 million in debentures which was a quick sell-out. A $50 million bond issue by Tennessee Gas Transmission was moving easily and the complicated Baltimore & Ohio refunding and consolidation program topped the 75% acceptance mark necessary to bring underwriters' commitments into play. Among seasoned obligations, firmness was evident throughout the list. Long-term Treasuries have been improving since early August, and they advanced further in the two weeks ending September 19. High-grade corporate bonds can boast a long list of plus signs since Labor Day while state and local obligations have followed a similar course.

The rather surprising firmness of bond prices this month derives from several factors, all of the short-term variety. Of greatest import has been the accumulation of funds in the hands of investors this Summer, a period when a relative scarcity of new flotations provided limited avenues for their employment. The assurance that the Treasury's approaching new money borrowing would not involve a long-term issue has also bolstered sentiment while some investors are convinced that the Federal Reserve will intervene as usual to assist Federal financing by at least temporarily augmenting loanable funds available to the banks. While the foregoing factors are acting to stimulate near-term demand, it should be realized that they will dissipate before long, while the underlying forces making for tighter money still remain intact. Prime impetus for the longer-term trend towards more stringent credit stems from the overall growth in demand for loans by both business and the consumer. This has awakened inflationary pressures which the Administration is determined to dampen. From current indications, achievement of this goal will eventually require even sterner credit restrictions than have thus far been undertaken.

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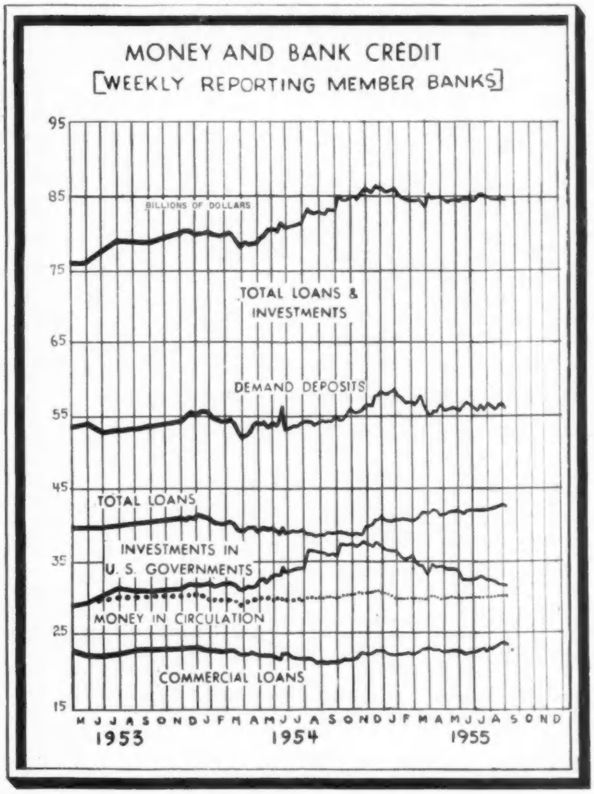
TRADE—Retail sales in August were slightly under record levels set in July, but still ran 9% ahead of a year ago, according to preliminary Government figures. An upturn seems to be in the making for September, with Dun & Bradstreet estimating that dollar volume in the first two weeks of the month showed bigger gains over a year ago than in August. Latest results, those for the week ending Wednesday, September 14, revealed an upturn in apparel sales, with consumer interest in back-to-school wear spurred by sales promotions and price reductions. Demand for household furnishings increased and both television and radio receivers were moving faster.



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INDUSTRY—The Federal Reserve Board's seasonally adjusted index of industrial output was higher in August, at 140% of the 1947-1949 average, which compares with a revised figure of 139 for July. Output of durable goods expanded further while production of nondurables and minerals was little changed, at levels slightly under the highs reached in June. Auto assemblies were reduced in August and have fallen further thus far in September, reflecting (Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	July	2.8	3.7	3.0	1.6
Cumulative from mid-1940	July	596.5	593.7	555.2	13.8
FEDERAL GROSS DEBT—$b	Sept. 13	277.9	277.9	274.9	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Sept. 7	55.6	55.9	54.0	26.1
Currency in Circulation	Sept. 14	30.5	30.4	30.0	10.7
BANK DEBITS—(rb)**					
New York City—$b	July	60.7	62.6	63.1	16.1
343 Other Centers—$b	July	104.9	108.6	95.6	29.0
PERSONAL INCOME—$b (cd2)	July	304.7	301.2	287.1	102
Salaries and Wages	July	212	208	197	99
Proprietors' Incomes	July	48	49	48	23
Interest and Dividends	July	27	26	25	10
Transfer Payments	July	17	17	16	10
(INCOME FROM AGRICULTURE)	July	14	14	15	3
POPULATION—m (e) (cb)	Aug.	165.4	165.2	162.6	133.8
Non-Institutional, Age 14 & Over	Aug.	117.5	117.4	116.3	101.8
Civilian Labor Force	Aug.	67.7	67.5	65.5	55.6
Armed Forces	Aug.	3.0	3.0	3.3	1.6
unemployed	Aug.	2.2	2.5	3.2	3.8
Employed	Aug.	65.5	65.0	62.3	51.8
In Agriculture	Aug.	7.5	7.7	6.9	8.0
Non-Farm	Aug.	58.0	57.3	55.3	43.2
Weekly Hours	Aug.	42.6	42.7	42.2	42.0
EMPLOYEES, Non-Farm—m (lb)	July	49.5	49.5	47.9	37.5
Government	July	6.7	6.9	6.6	4.8
Trade	July	10.6	10.6	10.4	7.9
Factory	July	13.0	13.1	12.2	11.7
Weekly Hours	July	40.3	40.7	39.4	40.4
Hourly Wage ($)	July	1.88	1.87	1.80	77.3
Weekly Wage ($)	July	75.76	76.11	70.92	21.33
PRICES—Wholesale (lb2)	Sept. 13	111.4	111.1	110.0	66.9
Retail (cd)	June	207.8	207.7	209.0	116.2
COST OF LIVING (lb2)	July	114.7	114.4	115.2	65.9
Food	July	112.1	111.3	114.6	65.9
Clothing	July	103.2	103.2	104.0	59.5
Rent	July	130.4	130.4	128.5	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	June	15.3	15.4	14.4	4.7
Durable Goods	June	5.6	5.5	5.0	1.1
Non-Durable Goods	June	9.8	9.9	9.4	3.6
Dep't Store Sales (mrb)	June	0.88	0.89	0.85	0.34
Consumer Credit, End Mo. (rb)	June	32.5	31.6	28.7	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	July	26.9	27.8	23.2	14.6
Durable Goods	July	13.4	14.0	11.2	7.1
Non-Durable Goods	July	13.4	13.8	12.1	7.5
Shipments—$b (cd)—Totals**	July	26.8	27.1	21.4	8.3
Durable Goods	July	13.5	13.5	9.4	4.1
Non-Durable Goods	July	13.2	13.6	12.0	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	July	79.2	78.8	77.6	28.6
Manufacturers'	July	43.9	43.8	43.4	16.4
Wholesalers'	July	11.9	11.8	11.8	4.1
Retailers'	July	23.4	23.2	22.4	8.1
Dept. Store Stocks (mrb)	July	2.5	2.5	2.5	1.1
BUSINESS ACTIVITY—1—pc	Sept. 10	215.2	216.0	186.5	141.8
(M. W. S.)—1—np	Sept. 10	273.3	274.3	232.1	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 39)

preparations for model changeovers. Steel production in August averaged 90% of capacity, up from 85% in July. By mid-September, steel mills were slated to operate at 95% of capacity. Among nondurables, output of apparel and leather products remained under previous highs but the textile, paper, chemical and petroleum industries held their own or managed slight advances.

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COMMODITIES — Firming commodity prices have become widespread enough to affect the comprehensive weekly index of the Bureau of Labor Statistics and this indicator rose 0.3% in the week ending September 13, to close at 111.4% of the 1947-1949 average, highest level in almost three years. The major components of the index all advanced in the latest week with farm products up 1.3%, processed foods gaining 0.4% and all other commodities 0.1% higher. The advance in the latter component reflected gains in industrial commodities such as steel and copper scrap, tin, rubber, hides and burlap.

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Expenditures for **NEW CONSTRUCTION** came to $3 978 million in August, close to the $3,956 million outlays in July and 8% ahead of a year ago. After adjustment for seasonal factors, August building activity works out to an annual rate of $41.5 billion. This compares with a $42 billion annual rate in July and the record rate of $42.5 billion reached in May of this year. In the latest month, private residential construction declined to $1,492 million, from $1,523 million the previous month, reflecting the downtrend in housing starts in the two preceding months. Building of stores and similar structures continued to rise, reaching a new monthly peak, but highway construction had a less than seasonal increase, reflecting the effects of recent hurricanes.

* * *

Output of passenger car **TIRES** declined seasonally in July, with 7,893,-306 units produced, a 15.9% drop from June levels but well above the 5,603,219 tires turned out a year ago. Shipments were lower in July, amounting to 8,339,290 tires, down

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Aug.	140	139	123	93
Mining	Aug.	120	120	109	87
Durable Goods Mfr.	Aug.	158	155	135	88
Non-Durable Goods Mfr.	Aug.	126	126	114	89
CARLOADINGS—t—Total	Sept. 10	707	794	602	933
Misc. Freight	Sept. 10	338	384	300	379
Mdse. L. C. l.	Sept. 10	54	64	54	66
Grain	Sept. 10	46	52	45	43
ELEC. POWER Output (Kw.H.) m	Sept. 10	10,155	10,706	8,808	3,266
SOFT COAL, Prod. (st) m	Sept. 10	8.6	9.5	6.8	10.8
Cumulative from Jan. 1	Sept. 10	311.2	302.6	257.2	44.6
Stocks, End Mo.	July	68.0	69.5	67.2	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Sept. 9	6.7	6.7	6.2	4.1
Gasoline Stocks	Sept. 9	154	153	153	86
Fuel Oil Stocks	Sept. 9	47	47	57	94
Heating Oil Stocks	Sept. 9	138	133	122	55
LUMBER, Prod.—(bd. ft.) m	Sept. 10	232	271	189	632
Stocks, End Mo. (bd. ft.) b	June	8.7	8.8	9.3	7.9
STEEL INGOT PROD. (st) m	Aug.	9.6	9.1	6.7	7.0
Cumulative from Jan. 1	Aug.	75.9	66.3	57.5	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Sept. 15	381	375	306	94
Cumulative from Jan. 1	Sept. 15	13,435	13,054	10,253	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Sept. 10	228	383	200	165
Cigarettes, Domestic Sales—b	June	36	34	35	17
Do., Cigars—m	June	510	506	510	543
Do., Manufactured Tobacco (lbs.)m.	June	18	18	18	28

PRESENT POSITION AND OUTLOOK

7.1% from the preceding month. With shipments topping output, the inventory in the hands of manufacturers declined to 12,199,266 tires from the previous month's level of 12,697,544.

* * *

Manufacturers of **AIRCRAFT** and parts reported the receipt of $2,048 million worth of new orders in the second quarter, after adjustment for contract terminations. Shipments during the period amounted to $2,198 million with the result that order backlogs on June 30 of $13,942 million, were down a bit from the $14,092 million total on the books three months earlier. A year ago, unfilled orders came to $15,310 million. In the post-World War II period, the peak for order backlogs amounted to $18,906 million in mid-1953.

* * *

Output of **PRIMARY ALUMINUM** set a new high in July of 132,669 tons, up from 127,634 tons the previous month, according to compilations by the Census Bureau. July production was 5% ahead of the corresponding 1954 month, a rate of year-to-year gain that has been maintained since January.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

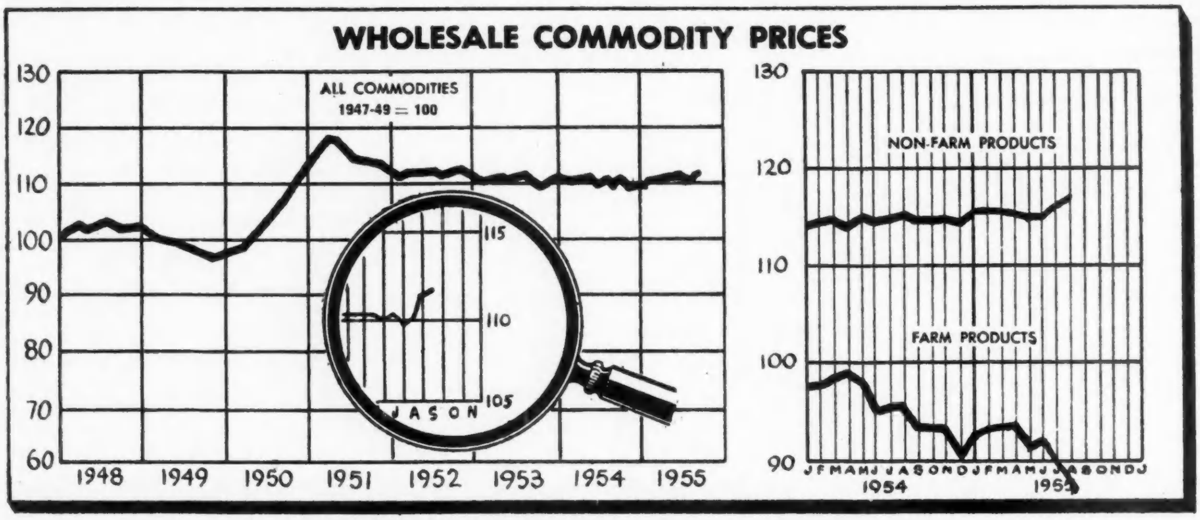
No. of Issues (1925 Cl.—100)	1955 Range High	1955 Range Low	1955 Sept. 9	1955 Sept. 16
300 Combined Average	328.7	282.0	325.8	328.7H
4 Agricultural Implements	340.6	264.9	324.4	337.9
3 Air Cond. ('53 Cl.—100)	116.0	97.4	97.4	98.6
10 Aircraft ('27 Cl.—100)	1084.9	871.7	973.7	992.2
7 Airlines ('27 Cl.—100)	1263.6	971.2	1086.1	1127.8
4 Aluminum ('53 Cl.—100)	382.2	191.1	374.3	382.2H
7 Amusements	180.6	147.0	175.8	177.4
9 Automobile Accessories	362.3	308.3	355.9	359.1
6 Automobiles	54.4	44.3	52.1	54.4
4 Baking ('26 Cl.—100)	30.6	27.8	30.6	30.3
3 Business Machines	930.6	657.4	837.5	844.2
6 Chemicals	584.5	466.6	574.7	584.5H
3 Coal Mining	20.3	14.8	19.7	20.0
4 Communications	116.6	103.9	111.3	111.3
9 Construction	124.0	106.4	124.0	121.8
7 Containers	747.7	675.1	725.9	740.4
7 Copper Mining	333.4	222.2	333.4	331.0
2 Dairy Products	127.0	117.6	122.3	123.5
6 Department Stores	99.4	80.0	99.4	99.4
5 Drugs-Eth. ('53 Cl.—100)	151.2	129.6	149.9	149.9
6 Elec. Eqp. ('53 Cl.—100)	174.7	156.0	165.4	163.8
2 Finance Companies	651.1	577.3	608.1	608.1
6 Food Brands	300.6	266.6	279.7	274.5
3 Food Stores	163.7	137.7	160.8	163.7H

(Nov. 14, 1936 Cl.—100)	High	Low	1955 Sept. 9	1955 Sept. 16
100 High Priced Stocks	217.2	180.6	214.9	217.2H
100 Low Priced Stocks	392.5	343.5	387.0	392.5H
4 Gold Mining	806.0	649.1	670.5	720.4
4 Investment Trusts	157.1	143.8	155.6	154.1
3 Liquor ('27 Cl.—100)	1101.7	961.3	1080.1	1080.1
9 Machinery	395.8	317.7	346.9	350.1
3 Mail Order	209.8	159.3	204.9	209.8H
4 Meat Packing	134.4	112.8	124.8	122.4
5 Metal Fabr. ('53 Cl.—100)	183.7	155.9	177.1	183.7
10 Metals, Miscellaneous	452.3	358.2	452.3	448.6
4 Paper	1025.5	767.1	1009.4	1025.5H
22 Petroleum	674.2	590.0	668.2	674.2
22 Public Utilities	256.2	234.8	256.2	256.2
7 Railroad Equipment	88.4	73.4	85.4	86.9
20 Railroads	77.9	64.7	76.6	77.9
3 Soft Drinks	565.7	459.9	547.3	538.1
11 Steel & Iron	314.1	219.2	311.9	314.1H
4 Sugar	68.8	56.1	64.2	62.4
2 Sulphur	955.7	813.2	955.7	930.5
10 Television ('27 Cl.—100)	47.3	40.7	44.4	44.8
5 Textiles	187.4	148.4	181.4	184.4
3 Tires & Rubber	168.2	137.8	163.9	168.2H
5 Tobacco	94.0	81.9	91.4	94.0H
2 Variety Stores	315.0	286.9	299.4	305.7
15 Unclassif'd ('49 Cl.—100)	158.1	146.3	152.2	155.2

H—New High for 1955.

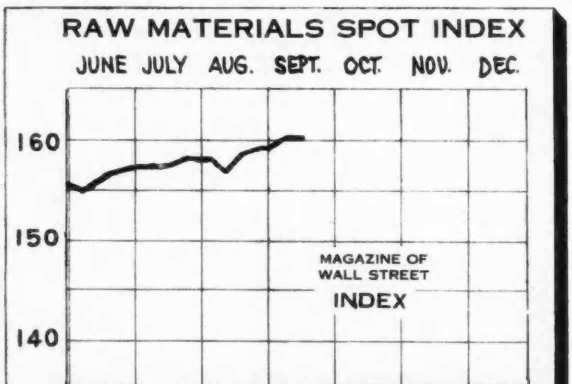
Trend of Commodities

Grain futures showed strength in the two weeks ending September 16 while some import commodities weakened. The Dow-Jones Commodity Futures Index added 0.37 points during the period to close at 154.09. December wheat was 5½ cents higher in the two weeks ending September 16, closing at 201½. Seeding of the 1956 winter wheat crop has been seriously delayed and this has encouraged buyers. Further bullish ammunition was provided by the volume of criticism from both political parties regarding the downward trend of farm prices, which may force the Administration to take remedal action. Placement of wheat in the support program has been disappointing so far, with only 47 million bushels of 1955 wheat utilizing the Government loan through August 15 versus 127 million bushels in the corresponding 1954 period. However, this situation can change rapidly before January 31, 1956, the final date for placement of wheat in the current loan program. December corn advanced 2 cents in the fortnght to close at 128¾. The Department of Agriculture has forecast a 3,113 million bushel crop, based on September 1 conditions, which is 364 million bushels under their August 1 estimate. Based on the latest forecast, total supply for the current season should total 4,163 million bushels, still the largest on record. However, if the CCC continues to own or control large amounts of corn next season, then "free" supplies may not be excessive. December cotton lost 64 points in the two weeks ending September 16 to close at 33.01 cents a pound. Prices are now under equivalent loan levels, with sellers motivated by slow export trade and fears that the Government may decide to lighten its holdings.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

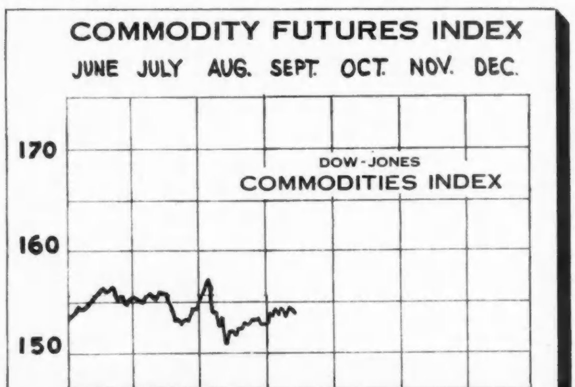
	Date Sept. 16	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.5	89.6	91.0	90.6	53.0
9 Foodstuffs	78.3	79.4	88.4	95.7	46.5
3 Raw Industrial	98.0	97.3	92.7	87.0	58.3
5 Metals	119.7	117.4	108.0	97.6	54.6
4 Textiles	78.5	79.3	84.0	88.3	56.3
4 Fats & Oils	60.7	62.7	66.7	70.0	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1955	1954	1953	1951	1945	1941	1938	1937
High	160.2	154.4	162.2	215.4	111.7	88.9	57.7	86.6
Low	153.6	147.8	147.9	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1955	1954	1953	1951	1945	1941	1938	1937
High	173.6	183.7	166.5	214.5	95.8	74.3	65.8	93.8
Low	150.8	167.3	153.8	174.8	83.6	58.7	57.5	64.7

WHAT'S NEW?

— A Record of Important Company Developments

Philip Morris, Inc. is enjoying an upsurge, thanks to its new Marlboro package. With this long-size filter-tip cigarette on sale in only 60% of the country, Philip Morris figures it already has moved into "third or fourth position" in this field. When Marlboro sales in the first week of June ran 30% ahead of the preceding week, it was decided to put the brand on allocation to dealers. By end of July, it was able to raise allotments appreciably. Philip Morris calculates that as of September 1, the new Marlboro was selling at a rate of more than 12 billion units yearly—more than 50 times last year's volume by the premium-priced cigarette of the same name. Now the company has launched the new Philip Morris pack, a departure from the brown wrapper that enclosed this brand. These innovations and acquisition of the Benson & Hedges line of tobacco products are certain to boost earnings and improve the company's competitive position.

Visking Corp.: Recent market strength in this issue is apparently belated recognition of the company's greatly improved position in plastic films, especially polyethylene products, of which Visking is now the world's largest manufacturer. Research has been aggressively broadened and is largely responsible for the rapid growth during the past decade. Sales have increased in every year since 1930, except 1935, and rose from $10.4 million in 1945 to $45.9 million last year, a gain of over 340%, while volume for the first six months of 1955 was 25% greater than the like period a year ago. Although the company maintains its leading position in the cellulose meat-casing field, it has applied its know-how of extrusion processes to develop an important new business in plastic film and non-woven fabrics. Visking sells polyethylene film in bulk to a large number of converters, which include Visqueen, used extensively in packaging, tubing, plastic pipe, insulation and squeeze bottles. Also Visten for packaging and Viskon for towels, drapery material, filters and many other items. Earnings have grown fairly steadily, trending upward from $1.96 a share in 1945 to $5.03 per share in 1954, and could approximate $6.75 this year. Visking is a small company and not widely known, yet it is the leading trade factor in its special fields, representing in a sense, a young industry. With excellent long-term growth assured, dividends will probably remain conservative, because of the need for expansion funds.

Important Dividend Changes

September 7 to September 19

INCREASED DIVIDENDS

	New Rate	Period
American Sugar Ref.	$1.25	......
C. I. T. Financial	.60	Qu.
Curtiss-Wright	.40	Qu.
First Nat. City Bank (N.Y.)	.65	......
Pillsbury Mills	.62½	Qu.
Int. Tel. & Tel.	.35	......

INITIAL DIVIDENDS

Sperry Rand	.16	......
Bulova Watch (new)	.30	......
United Aircraft (new)	.75	......
Hertz Corp. (new)	.25	Qu.

STOCK DIVIDENDS (Including Stock-Splits

	Rate
United Aircraft	50%
Bulova Watch	200
Hertz Corp.	100
Owens Ill. Glass	100

EXTRA DIVIDENDS

Walker (Hiram) G. &. W.	$1.00
C. I. T. Financial Corp.	.25
Amer. Agri. Chemical	1.50

OMITTED DIVIDENDS

Manati Sugar

Felt & Tarrant Mfg.

Beatrice Foods Co., one of the big four of the dairy field, is about to increase its diversification through acquisition of D. L. Clark Co., a Pittsburgh candy firm which does a $12 million annual business. Beatrice will acquire the company for 85,400 shares of its stock—one of its shares for each 3½ shares of Clark capital stock. Non-dairy products of Beatrice last year ac-

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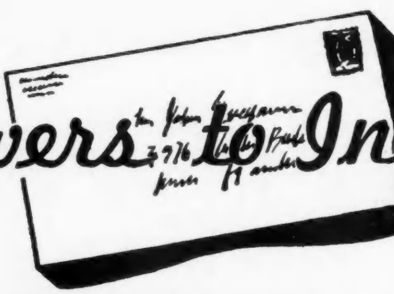

Answers to Inquiries

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1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

American Viscose Corp.

"I have been a subscriber to your Magazine for the past ten years and find it helpful in selecting security investments. I would appreciate receiving late earnings data on American Viscose Corp. with emphasis on any new developments."

B. J., Belleville, N. J.

Sales and earnings of American Viscose Corp. improved substantially during the first half of 1955 over the corresponding period of 1954. Sales increased $26,423,000, while earnings were $8,693,000 greater. Net earnings for the second quarter were $6,205,000, equal, after preferred dividends, to $1.45 per share of common stock outstanding. This compares with $1,807,000 or 37c per share in the second quarter of 1954. Net sales in the second quarter were $62,810,000, compared with $51,903,000 in the second quarter of 1954.

Increased demand for the corporation's products have continued—with rayon staple, rayon tire yarn and cellophane operations at or near capacity levels. Rayon and acetate filament yarn shipments to the textile trade have also improved. Demand for Avisco rayon staple by the textile and carpet trades has exceeded productive capacity. Additional facilities have been installed at the Parkersburg, W. Va. and Front Royal, Virginia, plants, which should be in operation around the end of this year. Operations of the Chemstrand Corp., owned in equal shares with Monsanto Chemical Co., have been gratifying. The nylon plant at Pensacola, Fla., is operating at full capacity and considerable improvement has been made in Acrilon operations. There has been a demand for large quantities of Chemstrand's heavier type of nylon yarns, especially for tires and textile applications. To meet market requirements, additional facilities will be installed at the Pensacola nylon plant to increase capacity from 50,000,000 pounds to 88,000,000 pounds per year.

The Ketchikan Pulp Co., in which American Viscose has a one-half interest, has made considerable progress in solving production problems, usually associated with the initial operations of a large pulp mill. Production of a dissolving pulp used for making rayon is approaching scheduled capacity.

Stockholders vote October 24th on increasing authorized $25 par common from 5 million to 10 million shares to provide for a 25% stock dividend, payable November 23rd to holders of record November 3rd. Company said directors intend to pay dividends equal to $2.00 a share annually on increased shares. This would be equivalent to 1955 dividend of $2.50 a share on common stock now outstanding.

Glen Alden Corp.

"I understand that Glen Alden Corp., formerly Glen Alden Coal Co. has shown a good improvement in earnings in the first half of this year. Would you please give reasons for this improvement and also comment on diversification of the company's lines and what is the outlook for the balance of the year?"

M. W., Pittsburgh, Pa.

Net earnings of the Glen Alden Corp. (formerly Glen Alden Coal Co.) for the first six months of 1955 showed continued improvement over the previous year. After providing for depreciation and depletion charges of $986,000, consolidated earnings for the first six months totaled $1,695,000, equal to 95c a share on 1,774,663 shares outstanding. In comparison, the company reported a loss of $169,000, equal to 9c a share, in the corresponding period in 1954 after depreciation and depletion charges of $1,164,000.

The substantial improvement in earnings was due largely to two factors. One, acquisition last March of the Mathes Co., manufacturers of air conditioning equipment, and two, greater efficiency in the company's anthracite operations.

Sales of anthracite for the six months were reported at 2,208,000 tons compared with 2,578,000 tons for the six months of 1954. Realization was down from the previous year, reflecting depressed prices and an excess supply of fine sizes throughout the industry, as well as lower unit volume. Further improvement in the company's earnings are expected for the third and fourth quarters of this year. Prices on anthracite were increased as of July 6th and orders should begin to reflect some upturn in coal sales, with September showing definitely improved performance. Thus, the third period should show a reasonable improvement over the second quarter. Results for the final period should, barring unforeseen difficulties, equal or surpass first-quarter performance

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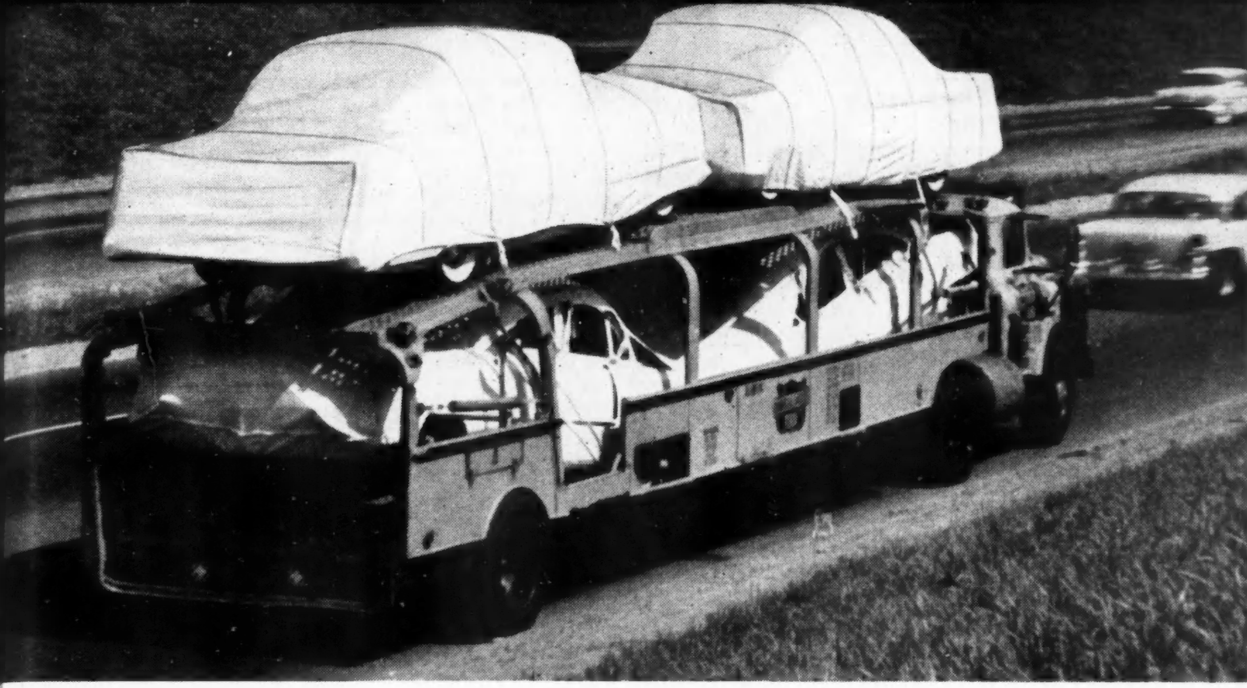

Candidates for Stock Splits 1955-1956

(*Continued from page* 24)

industrial chemicals and "Tenite" plastics, notwithstanding the letdown in the general economy during the early months of 1954, amounted to $633.4 million, just under the $633.6 million shown for the peak year of 1953. Net earnings, however, for 1954, after taxes and preferred dividends, rose to a record high of $69.4 million as compared with $35.3 million in 1946, the year prior to the last stock split which was on a 5-for-1 basis. Net earnings for 1954, equal to $3.99 a share were up 39 per cent over 1953 in which the common stock earned $2.86 a share. On the basis of 1955 first half-year results the current year will show new record highs in both sales and earnings. Contributing to this showing is the production of polyethylene at the Texas Eastman Co., plant which is now in full swing following its opening last November. For the six months ended last June total sales of the company were up 13.6 per cent over the like 1954 period, reaching $315.8 million, while net earnings after taxes increased 29 per cent to $36.3 million. After preferred dividends for the period this was equal to $1.97 a common share compared with $1.60 a year ago.

INLAND STEEL CO.—Although Inland Steel effected a 3-for-1 split-up of its common stock in April, 1946, it is conceivable that directors may propose another split of the common stock, if not immediately, then sometime in the near future. Supporting this belief is steady growth of the company in the years since 1947, its expanding earning power, and the strong finances. The latter is reflected in approximately $95 million in Government securities and cash on hand as at 1954 year-end, and net current assets which exceeded current liabilities by $158 million. Since 1947, Inland, retaining the greater portion of net earnings, as well as substantial amounts of internally generated funds, has spent close to $185 million to improve and expand mill facilities and raise its ingot production capacity from 3.4 million to 4.7 million tons, which was reached in 1954, and again increased at the beginning of the current year to 5 million tons, giving it seventh place among the steel producers of the country. Reflecting the continuous growth, net sales and other revenues for the first half of this year increased to $315 million from $280 for the like 1954 period. Net earnings of $4.33 a common share for the six months to June 30, last, compared with $3.92 a year ago, indicate a record high in common earnings on the basis of present capitalization, thus adding to the stature of the stock which ranks as a top quality issue. —END

Steady Expansion in Plywood Industry

(*Continued from page* 31)

business, which started as a jobber of plywood and glue and has now risen to its present $200 million-a-year stature. Essentially a sales company, it has grown today to a point where it maintains 87 distributing warehouses here and in Canada. Because it has national distribution, it is able to capitalize on national advertising. Its Weldwoods, Plankweld and Novoply are known throughout the trade and to millions of home-owners.

The company has 30 plants that represent an investment of about $35 million. Timber holdings are carried at $18 million—actual cost of standing timber owned and deposits made on timber under contract. Current value of these holdings are conservatively estimated at $75 million. However, to take over all of the timber involved would entail another $15 million outlay.

Sales in its current fiscal year, which began May 1, are at a record annual rate of $200 million. August sales hit a new monthly high of better than $18 million, up from $14,916,000 in July, 1955, and compared with $10,954,000 in August, 1954. Sales for fiscal year ended April 30 were $150,566,000, the previous high. Earnings per share in the three months ended July 31, 1955, amounted to $1.24 a common share, against 65 cents in the year-ago period.

With demand for its products continuing at a record pace, U. S. Plywood may be expected over the near term to give more liberal dividend treatment to shareholders. The quarterly rate recently was hiked to 45 cents from 35 cents. In February the company sold publicly an issue of $25 million, 3.4% sinking-fund debentures. Proceeds were used to redeem four series of outstanding debentures and other funded indebtedness totaling $18,626,000. Balance was added to general working funds. The company anticipates new capital expenditures during the current fiscal year may total $10 million and go for timber acquisitions, manufacturing plants and distribution facilities. The stock seems worth holding as an interesting speculation.

From Georgia to the Pacific

Georgia-Pacific Plywood Co. opened its doors for the first time in September, 1927, at Augusta, Ga., employing 20 people. Today it operates more than a dozen plants, nearly two score wholesale distribution warehouses and sales offices, and employs about 4,000 people. From first-year sales of about $250,000, annual sales have steadily increased and now are approaching the $85 million level. The company has earned profits in each year of its history. To obtain West Coast plywood resources, need to assure adequate supply, the company undertook its first public financing in 1947. Additional productive capacity was acquired over the years to give it second rank within the industry. Through a wholly-owned subsidiary, Georgia-Pacific Alaska Co., it has been granted a preliminary award of timber sale contract to 7.5 billion board feet of timber in Southeast Alaska. Terms require purchaser to install a pulp mill by 1961.

Georgia-Pacific, like many other plywood companies, has been prominent in recent rumor mergers. Actually, there were conversations with International Paper Co. about a year ago, but nothing came of these talks and they were never resumed. The company has considerably strengthened its position and the stock seems worth holding.

Less Impressive Growth

Atlas Plywood Corp. has had a considerable growth by almost any standards, although it has not done anywhere near as well as the softwood plywood compa-

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Steady Expansion in Plywood Industry

(*Continued from page* 46)

nies that have struck it rich in the Northwest. Atlas got into the fir plywood industry a few years ago through purchase of a controlling interest in Plywood, Inc. But hardwood plywood always has been the backbone of the Atlas business, which is largely the manufacture of such products as boxes and packing cases for industry.

For its fiscal year ended June 30, sales totaled $39,883,000, a rise of nearly 10% from the preceding year, and net profit was $662,000, or 45 cents a share. A year ago net amounted to $493,000, equal to 28 cents a share. Products made by Atlas contributed about 70% of consolidated sales in the past year. Of these, plywood packing cases, food package containers and paper-type containers accounted for 59%, while flush doors contributed 27% and hardwood panels 14%. These sales do not include the sales of its subsidiary, Plywood, Inc., which makes Atlas a factor in the West Coast fir plywood field. As of June 30, Atlas had a 63% interest in Plywood, which had sales for the year to June 30 of $16,531,000. Atlas is readying an offer to minority shareholders of Plywood to acquire by exchange of shares their interest in the latter company. The stock is of the more speculative type.

Container Swallows Mengel

While nothing came of the talks between Georgia-Pacific and International Paper, it is a fact that plywood companies, which use the same raw materials, have a natural attraction for paper companies. The Mengel Company, a long-time factor in the plywood field, is about to be consolidated on the balance sheet of Container Corp. of America. Container had acquired about 63% of Mengel stock by early 1955. Mengel has an anual volume of more than $40 million. In association with U. S. Plywood, Mengel has developed distribution of its wood products.

M and M Woodworking Co. could properly lay claim to pioneering the fir plywood industry, for it was in its mill at Portland, Ore., that the product first was turned out domestically. M and M products today are produced by 12 operating divisions at nine sites in Oregon and California. There are four plywood divisions. Sales of M and M, which produces a wide range of lumber items and is in plastics, in pre-war 1940 amounted to less than $6 million. In fiscal year that ended February 26, volume was well above $38 million, a peak that should be surpassed this year. The stock may do better than it has in recent years.

M and M last year sold to *Long-Bell Lumber* its plywood buildings and equipment at Longview, Wash. Since Long-Bell is highly diversified (petroleum, railway properties and even a cemetery), its considerable growth over the years can not be attributed wholly to its plywood interests. Long-Bell, however, long has been a factor in the field and its wide range of plywood products has contributed substantially to revenues and profits. The stock may be retained as a speculation.

Some mention must be made of the *Weyerhauser Timber Co.*, giant of the wood products field. Weyerhauser has been a factor since before World War II. Of its sales total of $262.5 million last year, nearly $13 million was accounted for by plywood. This was a sharp decline from the previous year, owing to a strike in 1954. Other factors in the plywood field include General Plywood and Harbor Plywood.

A Billion-Dollar Business

The companies cited here sell about a billion dollars worth of plywood each year to American consumers. They have pushed their business from some 200 million square feet of plywood in depression 1932 to almost 5 billion in booming 1955. Between the start of 1947 and the close of 1953, no less than 65 new fir ply-

wood plants were opened. Yet another measure of their growth may be gleaned from these statistics: Fir plywood in 1955 will use about $145 million in peeler logs, 133 lathes worth $90,000 each will peel these logs, the veneer will be dried in driers each worth $120,000 and 100 plants will use up $21 million worth of glue. This activity will produce about $370 million worth of fir plywood (mill level value).

In the years ahead, the product of a thousand uses should continue to grow as an industrial factor, although it is not likely to equal the hectic pace of the postwar decade. Soundly financed companies, aided by aggressive research and marketing, should continue in the forefront of an industry that expects to double its output by 1975. The goal is not remote in the light of population growth and the trend toward home-ownership. In addition, the ever-increasing number of uses for the product in industry augurs well for steady growth on that front. —END.

A Study in Spectacular Growth

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small stores. That type of retail unit had been routed out of the company's store chain as long ago as 1938, enabling it to lower considerably the financial requirements for expansion and permit major capital investments being made in the direction of building new supermarkets.

Numerous intangibles also have contributed to Food Fair success. Rapid growth has required and has been accompanied by unrelenting emphasis on training, development, and more innovation. In such a fast moving business management is fully cognizant of the constant necessity to review operating routines, systems and methods, to insure the utmost efficiency. Continued emphasis is placed on development of programs of community relations. In September of this year, as in the year before, The Food Fair Stores Foundation, granted 41 scholarships to employees and other deserving youths in the communities served by the company. And of all the intangibles one of the most potent, perhaps, is the atmosphere characteristic of every Food Fair supermarket that conveys to customers a sense of well-being amidst a wide variety of meats, groceries, produce, and other merchandise so displayed as to stimulate buying.

Through its years of expansion Food Fair has shown a steady increase in financial strength, working capital of more than $30.6 million as of last April 30, being more than $5.4 million greater than in the preceding year's end, and compares with approximately $7 million on December 31, 1945. From that date to the end of April, 1955, net worth increased from $6.6 million to $39.1 million.

Cash dividends, supplemented by annual stock dividends including a 25% such distribution last August, have been increased from 40 cents a share to current payments of $1.00 a share per annum. At current price around 67, present cash dividend yields 1.4%. While this may be an unattractive return for investors interested in income, for those who are more concerned with utilizing funds in issues with long-term growth potentials the stock has considerable appeal. —END

Cost of Credit — Decisive Factor in Continuing Business Boom

(*Continued from page* 10)

may be expected to go into default before the home mortgage!

Nevertheless, all Government agencies dealing with housing including the Veterans Administration, have stiffened requirements on down payments and length of term, not by any means to the point of creating hardship but as a part of the general protective movement which Washington believes is dictated by the economic pulse.

Rapid Rise in Consumer Debt

It is beyond question that there has been a rapid rise in many categories of indebtedness. There was an increase of $6.9 billion in home mortgage debt in the first half of 1955, a 9 per cent increase over the like period of 1954. Consumer installment debt which now stands at $24.9 billion rose 11 per cent in six months. The question has definitely arisen in the minds of officials at Washington, of bankers and business men generally and of the general public or a very large segment thereof, whether the incurring of debt has been proceeding at a pace out of proportion to the accumulation of saved wealth.

One of the surest methods of bringing on inflation is to permit the volume of credit to outrun the solid security of savings in one form or another behind that credit structure. As the stream of savings cannot be turned off and on like a water tap it is the credit end which must be made subject to the regulatory need. That is what is taking place now through use of the bank rate and other measures.

One of the more interesting indications of how money demand has been running ahead of savings accumulation has been vouchsafed by the insurance companies and banks. Since 1946 these institutions have sold more than $15 billion of Government securities to put themselves in funds to meet demands for private investments, notably mortgages. This does not mean that the nation is weak in savings; quite the contrary, the savings fund is of fantastic proportions. The matter is relative: if the savings fund is fantastic, the money demand might be called fabulous.

In such circumstances there is an automatic tightening of rates for the use of money. This slows down the spending pace with the result that the savings stream is enabled to catch up. When it does, the excess accumulations go out to seek investments and the rates come down. Even though the United States Treasury is almost continually in the market for funds, even now the supply of funds seems large enough so that little discouragement is felt in private fields.

New large corporation issues are not being delayed and even the municipals are very far from quitting the marketplace, although their volume is lower. As such public issues are especially sensitive to the market it is a part of the pattern that a plunging into costly improvements is not to be expected in a period of rising rates. This is a manifestation of the automatic checks.

While it is true that pressures on credit are strong and that the figures of indebtedness are the highest in our history, it is equally true that the extraordinary increase in the population coupled with an increase in productivity, have served to put solidity under the total of debt. This is, of course, more true of private debt than of public debt. Private debt, especially the great volume of consumer installment debt is fluid in character. While there has been a large recent augmentation, it must not be forgotten that this is not on top of a previously static private debt. For a season the rate of new debt has exceeded the rate of debt payment but old debt is being paid off also by the billions.

That, unfortunately, is not true of the National Debt which plays its own part in the inflationary threats and at present there seems scant promise of any improvement. Congress voted the increase in the debt limit to $281,000,000,000 but that was on top of what must be regarded as a static debt. The Treasury has not been going to the credit window to pay off every month; it has been going to the credit manager to ask for more credit and to the same customer!

The next session of Congress will see almost certainly success-

ful efforts to reduce taxes and no frantic measures to balance the Budget beyond taking advantage of the increased Treasury revenues which have arisen from the great activity of business. So while it is foreknown that the Legislature will be politically minded, it can be equally foreknown that administrative agencies, such as the Federal Reserve Board, will use the bank rate and other available measures to apply the restraints which pressures in the marketplace have made imperative.

The consequence of all this is that, in all likelihood, the braking down process in business, which is an objective of the Administration, will manifest itself in a few months at the latest. Already, there has been some decline in new housing starts as a result of the less favorable credit conditions.

One should be cautioned not to take too pessimistic an attitude, however, since there is ample credit to sustain business at a high level, provided it does not rise to excessive proportions, which of course, would intensify inflationary pressures. It is the latter that the Administration is concerned about primarily. If the inflationary threat can be stopped at an early time, no further attempts to restrict credit would be required. However, if the price pattern should be in danger of being broken completely through an intensified inflationary bias, much more restrictive measures would undoubtedly be employed by the responsible officials. In the meantime, it is probably safe to say that the boom in business is in process of reaching its crest.

—END

How Rising Prices Affect Corporate Profits

(*Continued from page* 13)

the rise in aluminum yet, while there is considerable gouging as fabricators scramble for copper.

Higher Wage Costs Ahead

Looking ahead, it must be obvious that the cost of doing business will rise even more sharply in 1956 (full effect of the higher costs will then have had their impact), when the minimum wage rises to $1 hourly from the present 75 cents under Federal law enacted in this Congress. Many semi-skilled workers, now earning about $1 an hour, are certain to demand better than base pay. The impact is bound to be heavy on Southern textile mills and retail chains, with repercussions throughout the country. In North Carolina already, the hosiery industry is reversing a long-standing policy and a stepped-up pace has begun to build inventories prior to the beginning of the new wage rate. These mills traditionally have shunned sizable inventories. There is no question, in these circumstances, that higher prices are ahead for hosiery, underwear, pajamas and other finished textiles. Shoes and hats, to cite other apparel lines, already have advanced. Relatively few shoe-workers earn 75 cents hourly, but when the new minimum goes into effect, the industry expects further over-all increases in wages, to be followed by another boost in prices.

Preoccupation with wages, materials and borrowed money as inflationary factors has caused many investors to overlook the tax situation—at least, as a contributor to present-day inflation trends. But from Administration sources and Capitol Hill have come overtures to tax cuts, an irresistible consideration with a Presidential election ahead. Whatever the merits of tax cuts in an era of Federal deficits, the political realities dictate such a sop for 1956. The months ahead are sure to witness increasing pressures for reduction in income, excise and corporate levies. Cutting taxes for wage-earners is a surefire vote-getter and, incidentally, added fuel for inflationary fires.

Small Business Worried

Small and medium-size business, forced by union negotiators to meet the wage scales of the giants, have good reason to be worried. They also must pay higher materials costs. Many of this stature have been absorbing increased costs these last few years in order to compete with the kingpins of their industry. Inflationary trends imperil their position.

In a buyers' market, more pronounced than at any time since the close of World War II, wage boosts can't always be compen-

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BOOK REVIEW

West African Trade

By P. T. BAUER

This is the first comprehensive and authoritative study of the structure, organization and operation of trade in the British West African territories.

The book will be of special value to those interested in the economic problems of under-developed countries and colonial territories—to politicians, administrators, and businessmen, as well as to academic students of economics.

Cambridge Univ. Press $10.00

How Rising Prices Affect Corporate Profits

(*Continued from page* 51)

sated fully in finished consumer goods with the result that profit margins are squeezed. Still, companies can't consistently sell their products without a fair margin of profit if they want to stay in business. Television sets have been on the bargain counter for years and a number of manufacturers already have fallen by the wayside. But the rise this summer in wages and materials has forced the top companies in the business to boost prices. Many companies are anxiously awaiting public reaction to the hikes and a few are sitting back, absorbing higher costs until they can determine consumer reaction to the other fellows' decision.

The timidity of certain tobacco and appliance manufacturers to join in the price-boost movement reveals that, amidst all the talk of boom, many business people are wary about higher prices. The lesson of the coffee industry has not been lost on many of these people. That industry sustained a sharp drop in volume when prices got out of hand. Although prices later came down with a thud, many customers failed to return or reduced their buying. It will be interesting to see what happens now that coffee is on the way up again.

While some will get help and others will get hurt as a result of current price trends, it is well to remember that no industry operates in a vacuum. For if, as an example, the automotive industry runs into dwindling volume as a result of higher prices, brought on by higher wage-material costs, and the railroads sustain a sharp decline in net income, caused by higher costs uncompensated by rate increases, the steel mills and copper fabricators soon would be operating at something less than capacity. Nor should we overlook the fact that the upward price spiral militates against our export trade, which represent the difference between profitable operations and a deficit for hundreds of corporations.

With a record 65.5 million people at work, the factory work week at 40.8 hours (less than a half-hour below the record set in 1950) and production workers earning a record $77.11 weekly on the average, there is not likely to be any immediate serious sales resistance to moderate increases designed to compensate in part, for soaring costs. Profit margins vary widely industry by industry (high for tobacco and paper, low for food processors and retailers) and customers vary from business to business, too. They will "reach" for products of one kind and stop in the case of another. In any event, attempts at gouging and excessive markups inevitably lead to loss of competitive position and a switch to substitute products.

As for the price spiral, now striking at companies and individuals whose income is relatively inflexible, it promises to get worse before it gets better as the chase of wages and prices resumes at a brisker pace. —END

From Small Beginnings . . . 3 New Giant Industries

(*Continued from page* 15)

plants. Rowe also operates vending machines, with cigarette sales representing 97% of the total dollar sales of machines it operates. These machines are largely in industrial plants, theatres, restaurants, and other public places. These are sites not generally covered by Canteen, whose units serve, for the most part, employes of plants and offices.

Merchandising sales of Automatic Canteen last year reached a record of $46,792,000, more than double the $21,712,000 registered as recently as 1950. Volume in 1930, its first year of operation, was a mere $424,000. Volume this year is slightly ahead of peak 1954.

The Federal Trade Commission early this year dismissed its price-discrimination case against Canteen, closing the books on the landmark Robinson-Patman dispute, which the Supreme Court decided in the company's favor two years ago. The case had been sent back to the F.T.C. from the court, for further action in keeping with the court's ruling. The complaint was that Canteen talked its suppliers into giving it a lower price by telling them they could save money on packaging and quantity deliveries.

ABC Vending Corp., another

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From Small Beginnings . . . 3 New Giant Industries

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topnotch company in the field, reflects the status of movie business (just as Canteen reflects employment), with dwindling theatre attendance being translated into fewer patrons for its vending machines in the lobbies. A considerable quantity is sold by clerks.

Automatic Canteen has a record of paying some dividend in each year since 1936, Rowe since 1943 and ABC since 1947.

New Trends in Packaging

Impulse buying is a phrase used by marketing executives to describe new selling modes growing out of self-service and supermarket merchandising. In the changing retail field the producer who can package his merchandise most attractively and colorfully is at an advantage. The decision of Philip Morris, as an example, to change the packaging of its Marlboro brand resulted in a 5,000% rise in volume within a year. It also led the company to re-design the Philip Morris package from the familiar brown wrapping to a colorful red, white and gold packaging. The trend toward re-design of packages should be stepped up sharply with the advent of color television, for a strong image and bright color combination will be vital in this new advertising medium.

With packaging used to wrap up everything from aspirins to automobiles, a package design must be strong enough to stimulate impulse purchasing. As a consequence, there is a steadily increasing demand for new kinds of wrappings that will protect goods while catching the consumer's eye. In turn, this holds a promise of growth for any company that has the know-how to convert cellophane, polyethylene, aluminum foil and special papers into new and appealing types of packages. The industry is well on its way to the biggest year in its history as better than $10 billion will be spent by manufacturers to package products in paper boxes, metal tubes, tin cans, collapsible metal tubes, cellophane wrappings, plastic bottles and the like. Indeed, the total to be expended this year will exceed overall advertising budgets, figured at about $8 billion. Factors in the packaging field range from industrial giants, for whom this segment of the business is a minor part of the whole, to small companies, which derive their revenues largely from its growth.

Dobeckmun Co. is a relatively small company that has expanded rapidly through its concentration on this budding field. Founded in 1927, the Cleveland company had raised sales to $13 million by 1949, doubled that figure by 1951 and is on its way to a record $38 million "handle" this year. A steady increase in sales and capital investment led the company to increase its long-term debt from $2.2 million to $3.7 million last year to overcome a chronic shortage of working capital. Its overseas plants, incidentally, are operating at high production rates but are unable to keep pace with demand. It is not expected, however, that foreign operations will contribute significantly to company profits until next year because of heavy initial expenses. Earnings last year totaled $1,191,000, or $2.50 a share, a figure that should be surpassed this year. The annual dividend rate of $1.40 is conservative.

One of the most important companies of the field is National Container Corp., an integrated company with 465,500 acres of timberlands, seven mills capable of turning out 500,000 tons of Kraft board yearly and 21 converting plants strategically situated to serve the entire nation. As recently as 1945, its sales and other income amounted to only $19 million. By 1954, the figure had risen to $76.3 million.

Record business achieved by National last year was in spite of a slight letdown in corrugated box business during the year for the entire industry, debasing of box prices and unsatisfactory operations at its Valdosta, Ga., mill which contributed only slightly to 1954 profits. A sharp improvement has been noted this year, reflecting in large part the completely changed situation at Valdosta. To check a price squeeze, the company, in June, advanced prices on a number of products. Debenture and stock financing this year have produced somewhat more than $10 million, about half of which was used to retire bank loans. As a result of operations and such financing, working capital of this growing company approximated $25 million at midyear. The common stock, which receives 15 cents quarterly, has received some payment in each year since 1934. Earnings this year are running well ahead of 1954, when $1.01 per share was netted, but no boost in the present dividend rate is likely over the near term as the expansion and development program entails large sums.

Other entities in the packaging field, which have shown a similar pattern of growth, include Marathon Corp., Container Corp. of America, Standard Packaging and United Board & Carton. All of these and dozens of other companies are riding the boom of such new trends as frozen food, carton sales (cigarettes, beer, soap), the heightened need for product identification in a self-service era and other marketing changes. Whereas a package in bygone days generally was a box, paper or carton (almost invariably brown) that was primarily utilitarian, today's package must take into consideration consumer motivation or the impulses which prompt the shopper to buy. Since shoppers are confronted with hundreds of products (sometimes thousands), the easy-to-spot label is vital. All of this should serve to explain the upsurge in the packaging industry.

Growth Fields

From the foregoing and the accompanying table, it will be obvious to the investor that the materials-handling, packaging and automatic merchandising fields embrace numerous growth companies. The table was not chosen on a qualitative basis, for there are many companies that have done even better than those presented here. It was designed to trace the fortunes of those firms which have grown primarily because of the upsurge in the three respective industries.

Current economic trends would appear to assure the continued growth of these fields, although the progress of many companies engaged in such endeavors, dependent on intensive research and marketing, will lag behind the field. As in almost all industries, the firmly established and better-financed companies should be prime beneficiaries of the new trends in production, distribution and merchandising. —END

Our Foreign Editor Views The European Scene

(*Continued from page* 21)

apartment houses as in Sweden. People are neat, well dressed, and hard working, but dour and often rather indifferent about helping the traveller with his problems.

The rebuilding of Finland has been paid for in part by inflating the currency. Consumer goods are none too plentiful. Even at the preferred rate of exchange for tourists, Finland is one of the most expensive countries in Europe, though the Finns stoutly deny it. Up to now, good demand for Finnish timber and paper products and fairly good prices have helped the Finns to keep the country's international payments in fair balance. But any disturbance in the current situation is likely to make the devaluation of the mark inevitable, particularly as costs and wages are rising slowly but steadily.

Norway, like Finland, has some great postwar accomplishments to its credit: the rebuilding of the North and many of its cities which were completely razed by the Germans, the re-creation of the merchant marine, and the introduction of a long list of new industries, including steel and aluminum. But the discontinuance of American aid is creating problems. The continuation of the rebuilding of the country will be possible only if the people as a whole tighten their belts. However, by borrowing money right and left, the Socialist Government has so far avoided making some unpleasant decisions that would obviously affect its future election prospects. Meanwhile the status of Norway's international payments is not getting better, particularly as inflationary forces are gathering momentum.

Outwardly, Norway too gives the impression of a prosperous country, though here living standards are definitely lower than in Sweden. There is little good farm land; on the other hand, one is constantly amazed by the great possibilities of hydro-electric development. If necessary, Norway could probably supply half of Europe with electric current. The export of electric current to Denmark is contemplated, but the building of dams and power stations costs money, and just now money is hard to get.

Austria Likely Tourist Paradise

I concluded my vacation in Austria, that is to say in Vienna, and was only sorry that I could not stay longer. I am glad to report that Austria and Vienna have lost relatively little of their Old World charm, although things are stirring even there and Vienna is quite a manufacturing center. Austria was also the cheapest of the countries visited. I have no doubt that its popularity with tourists will grow rapidly, now that the Russians are on the way out. However, a great deal of modernizing and expanding of tourist facilities is necessary, and my only hope is that in the process of doing that, none of the old charm will be lost.

(Note: The Swedish situation was covered in the last issue.)

—END

What's New?

(*Continued from page* 43)

counted for more than $53 million of its over-all volume, or 19%. Growth of this 58-year-old company has been particularly rapid in the postwar decade. The company pursues a policy of close inventory control and has strong finances. Small net profit margin, on the order of 1.4 cents per sales dollar, should be boosted over the long term by development of non-dairy items. It is difficult to achieve substantial profit margins in such products as milk and cream, which contribute roughly one-third of the company's total dollar sales volume.

Olin Mathieson Chemical Corp. has elected Laurance S. Rockefeller to its board. Mr. Rockefeller brings to the company, on which the *Magazine* has had frequent occasion to comment favorably, a vast fund of knowledge gained in the fields of finance, research and industry. His participation in the affairs of the company, formed by merger of Mathieson Chemical and Olin Industries, points to continued growth of this enterprise, which already ranks fifth in the chemical industry and is foremost in attaining a high degree of diversification. —END

Answers to Inquiries

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when the company earned slightly over $1,000,000.

The company plans further diversification of its product lines and several opportunities are being currently explored.

Dividends totaling 30c per share have been paid thus far in the current year, whereas no disbursements were paid in 1954.

American Steel Foundries

"I enclose $20 for renewal subscription to your Magazine. Instead of inquiring on 3 listed stocks at this time, I will confine my inquiry to American Steel Foundries. What are their recent earnings and unfilled order backlog and any other pertinent data you may have?" *M. P., Canton, Ohio*

AMERICAN STEEL FOUNDRIES had net income of $2,352,338, or $1.98 per share, on sales of $58,493,594 in the nine months ended June 30, 1955. This compares with net income of $3,085,022, or $2.60 per share on sales of $73,896,709 in the nine months ended June 30, 1954.

Shipments and earnings were more satisfactory in the quarter ended June 30, 1955, than in any quarter since the one ended Dec. 31, 1953. Net income increased from 17c per share in the quarter ended December 31st, 1954 to 63c per share in the quarter ended March 31, 1955, and to $1.18 per share in the quarter just ended.

Unfilled orders amounted to $21,000,000 at June 30, 1955, as compared to $17,500,000 at March 31, 1955, $12,500,000 at December 31, 1954 and $13,500,000 at September 30, 1954. Orders received in the June 30th quarter amounted to $26,500,000. This was the largest volume of incoming orders since the quarter ended March 31, 1953. Recent new freight car purchases contributed substantially to the larger volume of incoming orders.

Plant shut-downs for vacations will adversely affect the profit results for the last fiscal quarter (ended Sept.), but it is expected that earnings for the entire year will be about $2.75-$3.00 per share. Prospects with respect to volume and earnings are good for the quarter ending December 31, 1955, the first quarter of the company's next fiscal year.

Dividends of 50c per share have been paid quarterly thus far this year. —END

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